**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF DELAWARE**

| | |
|---|---|
| In re<br><br>BURGESS BIOPOWER, LLC, *et al.*[1]<br><br>Debtors. | Chapter 11<br><br>Case No. 24-10235 (LSS)<br>(Jointly Administered)<br><br>**Re: D.I. 39** |

**DECLARATION OF ROBERT K. MALONE IN SUPPORT OF THE DEBTORS' OBJECTION TO MOTION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, PURSUANT TO 28 U.S.C. § 1412 AND FEDERAL RULE OF BANKRUPTCY PROCEDURE 1014(A), TO TRANSFER VENUE OF BANKRUPTCY PROCEEDINGS TO UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW HAMPSHIRE**

I, Robert K. Malone, of full age, hereby declare as follows:

1. I am an attorney at law admitted to practice in the State of New Jersey, the United States District Court for the District of New Jersey, the United States District Court for the Southern and Eastern Districts of New York, and the United States Court of Appeals for the Third Circuit, and admitted *pro hac vice* to appear before this Court. I am a Director at the law firm of Gibbons P.C., proposed co-counsel to the debtors and debtors in possession (the "Debtors") in the above-captioned chapter 11 cases (the "Chapter 11 Cases").

2. Attached hereto as **Exhibit A** is a true and correct copy of the United States Court of Appeals for the First Circuit's request for applications for a bankruptcy judge position in the United States Bankruptcy Court for the District of New Hampshire.

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are Burgess BioPower, LLC (0971) and Berlin Station, LLC (1913). The Debtors' corporate headquarters are located at c/o CS Operations, Inc., 631 US Hwy 1, #300, North Palm Beach, FL 33408.

3. Attached hereto as **<u>Exhibit B</u>** is a true and correct copy of M&T Bank Corporation's 2022 Form 10-K Annual Report.

4. Attached hereto as **<u>Exhibit C</u>** is a true and correct image of Eversource Energy's website, captured on February 20, 2024, stating that Eversource Energy is "New England's largest energy delivery company with 4 million customers in Connecticut, Massachusetts and New Hampshire."

5. Attached hereto as **<u>Exhibit D</u>** is a true and correct copy of Eversource Energy's 2023 Form 10-K Annual Report.

6. Attached hereto as **<u>Exhibit E</u>** is a true and correct copy of the transcript of the hearing conducted by this Court in the above-captioned cases on February 13, 2023.

7. Attached hereto as **<u>Exhibit F</u>** is a true and correct copy of the transcript of the hearing conducted by the New Hampshire Public Utilities Commission on February 14, 2024.

Pursuant to section 1746 of title 28 of the United States Code, I declare under penalty of perjury that the foregoing is true and correct.

Dated: February 20, 2024

**GIBBONS, P.C.**

*<u>/s/ Robert K. Malone</u>*
Robert K. Malone, Esq.
Director

# EXHIBIT A

**UNITED STATES COURT OF APPEALS**
**FOR THE FIRST CIRCUIT**

**BANKRUPTCY JUDGE POSITION**

The United States Court of Appeals for the First Circuit is seeking applicants for a bankruptcy judge position in the United States Bankruptcy Court for the District of New Hampshire in Concord. The jurisdiction of a bankruptcy judge is specified in Title 28, United States Code, §§ 151-158, and explained in Title 11, United States Code, § 101, et seq. Attorneys are encouraged to apply, even if their experience is not specifically in bankruptcy law. Interested applicants may obtain an application on the Court of Appeals' website at https://www.ca1.uscourts.gov/employment. Persons applying for this position and willing to serve if selected should personally submit their applications to Susan Goldberg, Circuit Executive, via email at ca01_chjobs@ca1.uscourts.gov.

Any applicant must comply with the financial disclosure requirements pursuant to the Ethics in Government Act of 1978, Title 5, United States Code Appendix, §§ 101-111, as implemented by the Judicial Conference of the United States, and will be required to satisfy FBI and IRS background investigations prior to appointment. The term of office is 14 years, and the current salary is $213,992. Applications are to be received no later than Monday, November 27, 2023.

Persons will be considered without regard to race, color, age (over 40), gender, religion, national origin, disability, or sexual orientation.

# EXHIBIT B

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-K

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

**For the fiscal year ended December 31, 2022**
**or**

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

**Commission file number 1-9861**

# M&T BANK CORPORATION

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **New York** | **16-0968385** |
| *(State of incorporation)* | *(I.R.S. Employer Identification No.)* |
| **One M&T Plaza, Buffalo, New York** | **14203** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**Registrant's telephone number, including area code:**

**716-635-4000**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbols | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $.50 par value | MTB | New York Stock Exchange |
| Perpetual Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series H | MTBPrH | New York Stock Exchange |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of the Common Stock, $0.50 par value, held by non-affiliates of the registrant, computed by reference to the closing price as of the close of business on June 30, 2022: $27,304,085,267.

Number of shares of the Common Stock, $0.50 par value, outstanding as of the close of business on February 17, 2023: 167,792,740 shares.

**Documents Incorporated By Reference:**

(1) Portions of the Proxy Statement for the 2023 Annual Meeting of Shareholders of M&T Bank Corporation in Parts II and III.

Auditor Firm Id: 238 Auditor Name: PricewaterhouseCoopers LLP Auditor Location: Buffalo, NY, United States

**M&T BANK CORPORATION**
Form 10-K for the year ended December 31, 2022
CROSS-REFERENCE SHEET

# PART I

## Item 1. *Business.*

M&T Bank Corporation ("Registrant" or "M&T") is a New York business corporation which is registered as a financial holding company under the Bank Holding Company Act of 1956, as amended ("BHCA") and as a bank holding company ("BHC") under Article III-A of the New York Banking Law ("Banking Law"). The principal executive offices of M&T are located at One M&T Plaza, Buffalo, New York 14203. M&T was incorporated in November 1969. M&T and its direct and indirect subsidiaries are collectively referred to herein as the "Company." As of December 31, 2022, the Company had consolidated total assets of $200.7 billion, deposits of $163.5 billion and shareholders' equity of $25.3 billion. The Company had 22,210 full-time and 598 part-time employees as of December 31, 2022.

At December 31, 2022, M&T had two wholly owned bank subsidiaries: Manufacturers and Traders Trust Company ("M&T Bank") and Wilmington Trust, National Association ("Wilmington Trust, N.A."). The banks collectively offer a wide range of retail and commercial banking, trust and wealth management, and investment services to their customers. At December 31, 2022, M&T Bank represented over 99% of consolidated assets of the Company.

On April 1, 2022, M&T completed the acquisition of People's United Financial, Inc. ("People's United"). Through its subsidiaries, People's United provided commercial banking, retail banking and wealth management services to individual, corporate and municipal customers through a network of branches located in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine. Following the acquisition, People's United Bank, National Association, a national banking association and a wholly owned subsidiary of People's United, merged with and into M&T Bank, with M&T Bank as the surviving entity. The acquisition of People's United expanded the Company's geographical footprint and management expects the Company will benefit from greater geographical diversity and the advantages of scale associated with being a larger company.

The Company from time to time considers acquiring banks, thrift institutions, branch offices of banks or thrift institutions, or other businesses within markets currently served by the Company or in other locations that would complement the Company's business or its geographic reach. The Company has pursued acquisition opportunities in the past, reviews different opportunities from time to time and intends to continue this practice.

### Subsidiaries

M&T Bank is a banking corporation that is incorporated under the laws of the State of New York. M&T Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") through its Deposit Insurance Fund ("DIF") up to applicable limits. M&T acquired all of the issued and outstanding shares of the capital stock of M&T Bank in December 1969. The stock of M&T Bank represents a major asset of M&T. M&T Bank operates under a charter granted by the State of New York in 1892, and the continuity of its banking business is traced to the organization of the Manufacturers and Traders Bank in 1856. The principal executive offices of M&T Bank are located at One M&T Plaza, Buffalo, New York 14203. As of December 31, 2022, M&T Bank had 1,010 domestic banking offices located in New York State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Massachusetts, Maine, Vermont, New Hampshire, Virginia, West Virginia, and the District of Columbia and a full-service commercial banking office in Ontario, Canada. As of December 31, 2022, M&T Bank had consolidated total assets of $200.3 billion, deposits of $166.0 billion and shareholder's equity of $24.4 billion. As a commercial bank, M&T Bank offers a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in its markets. Lending is largely focused on consumers residing in areas where M&T Bank maintains banking offices, and on small and medium-size businesses based in those areas, although loans are originated through offices in other states and in Ontario, Canada. In addition, the Company conducts lending activities in various states through other subsidiaries. Trust and other fiduciary services are offered by M&T Bank and through its wholly owned subsidiary, Wilmington Trust Company. M&T Bank and certain of its subsidiaries also offer commercial mortgage loans secured by income producing properties or properties used by borrowers in a trade or business. Additional financial services are provided through other operating subsidiaries of the Company.

Wilmington Trust, N.A., a national banking association and a member of the Federal Reserve System and the FDIC, commenced operations on October 2, 1995. The deposit liabilities of Wilmington Trust, N.A. are insured by the FDIC through the DIF. The main office of Wilmington Trust, N.A. is located at 1100 North Market Street, Wilmington, Delaware 19890. Wilmington Trust, N.A. offers various trust and wealth management services. As of December 31, 2022, Wilmington Trust, N.A. had total assets of $692 million, deposits of $10 million and shareholder’s equity of $585 million.

M&T Securities, Inc. (“M&T Securities”) is a wholly owned subsidiary of M&T that was incorporated as a New York business corporation in November 1985. M&T Securities is registered as a broker/dealer under the Securities Exchange Act of 1934. It provides institutional brokerage and securities services. As of December 31, 2022, M&T Securities had assets and shareholder's equity of $49 million. M&T Securities recorded $6 million of revenue during 2022. The headquarters of M&T Securities are located at One Light Street, Baltimore, Maryland 21202.

Wilmington Trust Investment Management, LLC (“WTIM”) is a wholly owned subsidiary of M&T and was incorporated in December 2001 as a Georgia limited liability company. WTIM is a registered investment advisor under the Investment Advisors Act and provides investment management services to clients, including certain private funds. As of December 31, 2022, WTIM had assets of $7 million and shareholder’s equity of $5 million. WTIM recorded revenues of $2 million in 2022. WTIM’s headquarters is located at Terminus 27th Floor, 3280 Peachtree Road N.E., Atlanta, Georgia 30305.

Wilmington Trust Company, a wholly owned subsidiary of M&T Bank, was incorporated as a Delaware bank and trust company in March 1901 and amended its charter in July 2011 to become a nondepository trust company. Wilmington Trust Company provides a variety of Delaware based trust, fiduciary and custodial services to its clients. As of December 31, 2022, Wilmington Trust Company had total assets of $1.2 billion and shareholder’s equity of $712 million. Revenues of Wilmington Trust Company were $138 million in 2022. The headquarters of Wilmington Trust Company are located at 1100 North Market Street, Wilmington, Delaware 19890.

M&T Realty Capital Corporation (“M&T Realty Capital”), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation in October 1973. M&T Realty Capital engages in multifamily commercial real estate lending and provides loan servicing to purchasers of the loans it originates. As of December 31, 2022, M&T Realty Capital serviced or sub-serviced $26.0 billion of commercial mortgage loans for non-affiliates and had assets of $932 million and shareholder’s equity of $179 million. M&T Realty Capital recorded revenues of $155 million in 2022. The headquarters of M&T Realty Capital are located at One Light Street, Baltimore, Maryland 21202.

Wilmington Trust Investment Advisors, Inc. (“WT Investment Advisors”), a wholly owned subsidiary of M&T Bank, was incorporated as a Maryland corporation on June 30, 1995. WT Investment Advisors, a registered investment advisor under the Investment Advisors Act, serves as an investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and institutional clients. As of December 31, 2022, WT Investment Advisors had assets of $64 million and shareholder’s equity of $52 million. WT Investment Advisors recorded revenues of $42 million in 2022. The headquarters of WT Investment Advisors are located at 1100 North Market Street, Wilmington, Delaware 19890.

Wilmington Funds Management Corporation ("Wilmington Funds Management") is a wholly owned subsidiary of M&T that was incorporated in September 1981 as a Delaware corporation. Wilmington Funds Management is registered as an investment advisor under the Investment Advisors Act and serves as an investment advisor to the Wilmington Funds. Wilmington Funds Management had assets of $35 million and shareholder's equity of $34 million as of December 31, 2022. Wilmington Funds Management recorded revenues of $24 million in 2022. The headquarters of Wilmington Funds Management are located at 1100 North Market Street, Wilmington, Delaware 19890.

Following the acquisition of People's United on April 1, 2022, M&T Bank's subsidiaries also include People's United Advisors, Inc. ("PUA"), a Connecticut corporation formed in 2018 that provides investment advisory services and financial management and planning services. As of December 31, 2022 PUA had assets and shareholder's equity of $11 million and $10 million, respectively. PUA recorded revenues of $23 million during the nine months ended December 31, 2022. Other subsidiaries of M&T Bank obtained in the People's United acquisition include entities that provide equipment leasing and financing services throughout the United States. Those subsidiaries are: LEAF Commercial Capital, Inc., a Delaware corporation incorporated in 2010, M&T Capital and Leasing Corp. (f/k/a People's Capital and Leasing Corp.) a Connecticut corporation formed in 1997, and M&T Equipment Finance Corp. (f/k/a People's United Equipment Finance Corp.), a Texas corporation formed in 1989. The combined assets and shareholders' equity of the three entities was $5.9 billion and $482 million, respectively, at December 31, 2022. The combined revenues of the equipment leasing and financing services subsidiaries were $280 million in the nine months following their acquisition on April 1, 2022.

The Registrant and its banking subsidiaries have a number of other special-purpose or inactive subsidiaries. These other subsidiaries did not represent, individually and collectively, a significant portion of the Company's consolidated assets, net income and shareholders' equity at December 31, 2022.

**Segment Information, Principal Products/Services and Foreign Operations**

Information about the Registrant's business segments is included in note 23 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data" and is further discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Registrant's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking. The Company's international activities are discussed in note 18 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."

The only activities that, as a class, contributed 10% or more of the sum of consolidated interest income and other income in any of the last three years were interest on loans and, in 2021, trust income. The amount of income from such sources during those years is recorded in various business segments and is set forth in the Company's Consolidated Statement of Income and Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."

**Supervision and Regulation of the Company**

M&T and its subsidiaries are subject to the comprehensive regulatory framework applicable to bank and financial holding companies and their subsidiaries. Regulation of financial institutions such as M&T and its subsidiaries is intended primarily for the protection of depositors, the FDIC's DIF and the banking and financial system as a whole, and generally is not intended for the protection of shareholders, investors or creditors other than insured depositors.

Proposals to change the applicable regulatory framework may be introduced in the U.S. Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. A change in statutes, regulations or regulatory policies applicable to M&T or any of its subsidiaries could have a material effect on the business, financial condition or results of operations of the Company.

Described hereafter are material elements of the significant federal and state laws and regulations applicable to M&T and its subsidiaries.

**Overview**

M&T is registered with the Board of Governors of the Federal Reserve System (“Federal Reserve”) as a financial holding company and BHC under the BHCA. As such, M&T and its subsidiaries are subject to the supervision, examination, reporting, capital and other requirements of the BHCA and the regulations of the Federal Reserve. In addition, M&T’s banking subsidiaries are subject to regulation, supervision and examination by, as applicable, the New York State Department of Financial Services (“NYSDFS”), the Office of the Comptroller of the Currency (“OCC”), the FDIC and the Federal Reserve, and their consumer financial products and services are regulated by the Consumer Financial Protection Bureau (“CFPB”). Further, financial services entities such as M&T’s investment advisor and broker-dealer subsidiaries are subject to regulation by the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”), and the Securities Investor Protection Corporation (“SIPC”), among others. Other non-bank affiliates and activities, particularly insurance brokerage and agency activities, are subject to other federal and state laws and regulations as well as licensing and regulation by state insurance and bank regulatory agencies. Although the scope of regulation and the form of supervision may vary from state to state, insurance laws generally grant broad discretion to regulatory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling of customer funds held in a fiduciary capacity as well as regulations requiring, among other things, maintenance of capital, record keeping, and reporting.

M&T Bank is a New York chartered bank and a member of the Federal Reserve. As a result, it is subject to extensive regulation, examination and oversight by the NYSDFS and the Federal Reserve Bank ("FRB") of New York. New York laws and regulations govern many aspects of M&T Bank’s operations, including branching, dividends, subsidiary activities, fiduciary activities, lending, and deposit taking. M&T Bank is also subject to Federal Reserve regulations and guidance, including with respect to capital levels. Its deposits are insured by the FDIC, subject to certain limitations, which also exercises regulatory oversight over certain aspects of M&T Bank’s operations.

Wilmington Trust, N.A. is a national bank with operations that include fiduciary and related activities with limited lending and deposit business. It is subject to extensive regulation, examination and oversight by the OCC which governs many aspects of its operations, including fiduciary activities, capital levels, office locations, dividends and subsidiary activities. Its deposits are insured by the FDIC, subject to certain limitations, which also exercises regulatory oversight over certain aspects of the operations of Wilmington Trust, N.A.

Certain other subsidiaries are subject to regulation by other federal and state regulators as well. For example, M&T Securities is regulated by the SEC, FINRA, SIPC, and state securities regulators, and WT Investment Advisors and PUA are also subject to SEC regulation.

**Permissible Activities under the BHC Act**

In general, the BHCA limits the business of a BHC to banking, managing or controlling banks, and other activities that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. In addition, bank holding companies are obligated by a Federal Reserve policy to serve as a managerial and financial source of strength to their subsidiary depository institutions, including committing resources to support such subsidiaries. This support may be required at times when M&T may not be inclined or able to provide it. In addition, any capital loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a BHC's bankruptcy, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Bank holding companies that qualify and elect to be financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve, by regulation or order, in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the Federal Reserve). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and merchant banking.

M&T elected to become a financial holding company in March 2011. To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be "well capitalized" and "well managed." The failure to meet such requirements could result in material restrictions on the activities of M&T and may also adversely affect M&T's ability to enter into certain transactions, including acquisitions, or obtain necessary approvals in connection with those transactions, as well as loss of financial holding company status. Additionally, if each of the Company's depository institution subsidiaries has not received at least a "satisfactory" rating on its most recent examination under the Community Reinvestment Act of 1977 (the "CRA"), the Company would not be able to commence any new financial activities or acquire a company that engages in such activities, although it would still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting banking activities. For a further discussion of the CRA, see the section captioned "Community Reinvestment Act" included herein.

**Enhanced Prudential Standards**

Under Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 ("EGRRCPA"), U.S. bank holding companies with total consolidated assets of $100 billion or more, including M&T, are subject to enhanced prudential standards. The enhanced prudential standards include risk-based capital and leverage requirements, liquidity standards, risk management and risk committee requirements, stress test requirements and a debt-to-equity limit for companies that the Financial Stability Oversight Council has determined would pose a grave threat to systemic financial stability were they to fail such limits. "Tailoring Rules" adopted by the Federal Reserve and other federal bank regulators in 2019 assign each U.S. BHC with $100 billion or more in total consolidated assets, as well as its bank subsidiaries, to one of four categories based on its size and five other risk-based indicators: (i) cross-jurisdictional activity, (ii) weighted short-term wholesale funding, (iii) nonbank assets, (iv) off-balance sheet exposure, and (v) status as a U.S. global systemically important

BHC ("G-SIB"). Under the Tailoring Rules, M&T and its depository institution subsidiaries are subject to Category IV standards, which apply to banking organizations with at least $100 billion in total consolidated assets that do not meet any of the thresholds specified for Categories I through III. The threshold for Category III is $250 billion or more in total consolidated assets, or $100 billion or more in total consolidated assets and at least $75 billion in weighted short-term wholesale funding, nonbank assets or off-balance sheet exposures.

Under the Tailoring Rules, Category IV firms, among other things, (i) are not subject to any Liquidity Coverage Ratio ("LCR") or Net Stable Funding Ratio ("NSFR") (or, in certain cases, are subject to reduced requirements), (ii) remain eligible to opt-out of the requirement to recognize most elements of Accumulated Other Comprehensive Income ("AOCI") in regulatory capital, (iii) are no longer subject to company-run stress testing requirements, (iv) are subject to supervisory stress testing on at least a biennial basis rather than an annual basis, (v) are subject to requirements to develop and maintain a capital plan on an annual basis and (vi) are subject to certain liquidity risk management and risk committee requirements. The Federal Reserve may impose more stringent requirements (e.g. frequency of supervisory stress tests or capital plan submissions) based on a company's financial condition, size, complexity, risk profile, scope of operations or activities, or risks to the U.S. economy. Category IV firms continue not to be subject to (i) advanced approaches capital requirements, (ii) the supplementary leverage ratio ("SLR") and (iii) the countercyclical capital buffer ("CCyB"). Other elements of the Tailoring Rules are discussed in further detail throughout this section. Compared with Category IV firms, Category III firms are subject to the LCR and NSFR, company-run stress testing requirements, annual (instead of biennial) supervisory stress tests, the SLR and the CCyB.

**Capital Requirements**

M&T and its subsidiary banks are required to comply with applicable capital adequacy standards established by the federal banking agencies (the "Capital Rules"), which are based on the Basel Committee's December 2010 final capital framework for strengthening international capital standards, referred to as "Basel III". The Capital Rules include both risk-based requirements, which compare three measures of capital to risk-weighted assets ("RWAs"), as well as leverage requirements, which, in the case of Category IV bank holding companies such as M&T, consist of the Tier 1 leverage ratio described below. Pursuant to the Capital Rules, the minimum capital ratios are as follows:

- 4.5% Common Equity Tier 1 Capital ("CET1") to RWAs;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to RWAs;
- 8.0% Total capital (that is, Tier 1 plus Tier 2 capital) to RWAs; and
- 4.0% Tier 1 capital to average consolidated assets (the "leverage ratio").

In calculating risk-based capital ratios, M&T must assign risk weights to the Company's assets and off-balance sheet items. M&T has an ongoing process to review data elements associated with these exposures that from time to time may affect how specific exposures are classified and could lead to increases or decreases of the regulatory risk weights assigned to such exposures.

The Capital Rules also require firms to maintain a "buffer," consisting solely of CET1 capital, in addition to the minimum risk-based requirements. Failure to satisfy the buffer requirement in full results in graduated constraints on capital distributions and discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the firm's "eligible retained income," defined as the greater of (i) net income for the four preceding quarters net of distributions and associated tax effects not reflected in net income and (ii) the average of net income over the preceding four quarters.

As a Category IV BHC, M&T's buffer requirement, referred to as the "Stress Capital Buffer," is determined through the Federal Reserve's supervisory stress tests, discussed below. For M&T's bank subsidiaries, the buffer requirement consists of the static capital conservation buffer equal to 2.5% of RWAs.

CET1 consists of common stock instruments that meet the eligibility criteria in the Capital Rules, including common stock and related surplus, net of treasury stock, retained earnings, certain minority interests and, for certain firms, AOCI. As permitted under the Capital Rules, M&T made a one-time permanent election to neutralize certain AOCI components, with the result that those components are not recognized in M&T's CET1.

The Capital Rules provide for a number of deductions from and adjustments to CET1. As a "non-advanced approaches" firm under the Capital Rules, M&T is subject to rules that provide for simplified capital requirements relating to the threshold deductions for mortgage servicing assets, deferred tax assets arising from temporary differences that a banking organization could not realize through net operating loss carry backs, and investments in the capital of unconsolidated financial institutions, as well as the inclusion of minority interests in regulatory capital. M&T's and its subsidiary banks' regulatory capital ratios are presented in note 24 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provide a new standardized approach for operational risk capital. The federal bank regulators have not yet proposed rules implementing these standards. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company. The impact of these standards will depend on the manner in which they are implemented by the federal banking regulators.

**Stress Testing and Stress Capital Buffer**

As part of the enhanced prudential requirements applicable to systemically important financial institutions, the Federal Reserve conducts periodic analyses of bank holding companies with at least $100 billion in total consolidated assets using baseline and severely adverse economic and financial scenarios generated by the Federal Reserve. For Category IV firms, such as M&T, these supervisory stress tests occur on a biennial basis, in even-numbered years. The Federal Reserve may also use additional components in the severely adverse scenario or additional or more complex scenarios designed to capture salient risks to specific business groups. A summary of results of the Federal Reserve's analysis under the severely adverse stress scenario is publicly disclosed. Under the Tailoring Rules, Category IV firms, including M&T, are no longer subject to company-run stress testing requirements.

Bank holding companies with total consolidated assets of $100 billion or more, including Category IV bank holding companies such as M&T, must annually submit capital plans as part of the Federal Reserve's process. The comprehensive capital plans include a view of capital adequacy under various scenarios — including a BHC-defined baseline scenario, a baseline scenario provided by the Federal Reserve, at least one BHC-defined stress scenario, and any severely adverse scenario provided by the Federal Reserve. The process is intended to help ensure that these bank holding companies have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress. Each of the bank holding companies participating in the process is also required to collect and report certain related data to the Federal Reserve on a regular basis. The Stress Capital Buffer is based on a BHC's stressed losses in the supervisory stress test, plus four quarters of planned common stock dividends, subject to a floor of 2.5% of RWAs. In June 2022, the Federal Reserve released the results of its most recent supervisory stress tests. Based on those results, on October 1, 2022, M&T's stress capital buffer of 4.7% became effective. Accordingly, it currently is subject to a CET1 capital requirement of 9.2% (a sum of the Stress Capital Buffer and the minimum CET1 capital ratio).

In January 2021, the Federal Reserve issued a final rule to align its process with the categories set forth in the Tailoring Rules. Under the final rule, for Category IV firms, the portion of the Stress Capital Buffer based on the Federal Reserve's supervisory stress tests will be calculated biennially, in even-numbered years. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm will receive an updated Stress Capital Buffer that reflects the firm's updated planned common stock dividends. A Category IV firm is also able to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test and consequently receive an updated Stress Capital Buffer. The Federal Reserve may impose more stringent requirements (e.g., frequency of supervisory stress tests or capital plan submissions) based on various factors. In connection with the acquisition of People's United, M&T will be required to participate in the 2023 supervisory stress test and receive an updated Stress Capital Buffer.

The Federal Reserve also incorporates an assessment of the qualitative aspects of the firm's capital planning process into regular, ongoing supervisory activities and through targeted, horizontal assessments of particular aspects of capital planning. M&T's annual capital plan is currently due in April each year. The Federal Reserve publishes the results of its supervisory stress tests by June 30 of each year.

A BHC's planned capital distributions in its annual capital plan submissions must be consistent with any effective distribution limitations that would apply under the firm's own baseline projections, including its Stress Capital Buffer.

**Distributions**

M&T is a legal entity separate and distinct from its banking and other subsidiaries. Historically, the majority of M&T's revenue has been from dividends paid to M&T by its subsidiary banks. M&T Bank and Wilmington Trust, N.A. are subject to laws and regulations imposing restrictions on the amount of dividends they may declare and pay. Future dividend payments to M&T by its subsidiary banks will be dependent on a number of factors, including the earnings and financial condition of each such bank, and are subject to the limitations referred to in note 24 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data," and to other statutory powers of bank regulatory agencies.

An insured depository institution is prohibited from making any capital distribution to its owner, including any dividend, if, after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure, including the risk-based capital adequacy and leverage standards discussed herein. Dividend payments by M&T to its shareholders and common stock repurchases by M&T are subject to the oversight of the Federal Reserve. M&T's ability to make capital distributions would likely be impacted in the event that M&T fails to maintain its Stress Capital Buffer above its minimum CET1 risk-based, Tier-1 risk-based and total risk-based capital requirements.

In addition, the Federal Reserve's capital plan rule also provides that a BHC must receive prior approval for any dividend, stock repurchase, or other capital distribution, other than a capital distribution on a newly issued capital instrument, if the BHC is required to resubmit its capital plan. Among other circumstances, a firm may be required to resubmit its capital plan in connection with certain acquisitions or dispositions.

**Liquidity**

Under the Tailoring Rules, as a Category IV firm, the Company is not subject to the Federal Reserve and other federal banking regulators rules that implement a U.S. version of the Basel Committee's LCR requirement, which is intended to ensure that banks hold sufficient amounts of so-called "high quality liquid assets" ("HQLA") to cover the anticipated net cash outflows during a hypothetical acute 30-day stress scenario or the NSFR, which is designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon. The Federal Reserve's enhanced prudential standards, however, require the Company, as a BHC with $100 billion or more in total consolidated assets, to comply with enhanced liquidity and overall risk management standards, which include maintaining a level of highly liquid assets based on projected funding needs for 30 days, and increased involvement by boards of directors in liquidity and overall risk management. Under the Tailoring Rules, the liquidity risk management and reporting requirements are less stringent for Category IV bank holding companies as compared with bank holding companies in a different Category.

**Cross Guaranty Provision**

The cross guaranty provisions in the Federal Deposit Insurance Act ("FDIA") require each insured depository institution owned by the same BHC to be financially responsible for the failure or resolution costs of any affiliated insured institution. Generally, the amount of the cross guaranty liability is equal to the estimated loss to the DIF for the resolution of the affiliated institution(s) in default. The FDIC's claim under the cross guaranty provision is superior to claims of shareholders of the insured depository institution or its BHC and to most claims arising out of obligations or liabilities owed to affiliates of the institution, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The FDIC may decline to enforce the cross guaranty provision if it determines that a waiver is in the best interest of the DIF.

**Volcker Rule**

The Volcker Rule limits proprietary trading and investing in and sponsoring certain hedge funds and private equity funds (defined as "covered funds" in the Volcker Rule). The Company does not engage in any significant amount of proprietary trading as defined in the Volcker Rule and implemented the required procedures for those areas in which trading does occur. In addition, the Company does not engage in any significant covered fund activities that are impacted by the Volcker Rule.

**Safety and Soundness Standards**

Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA establish general standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. Additionally, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

**Limits on Undercapitalized Depository Institutions**

The FDIA establishes a system of regulatory remedies to resolve the problems of undercapitalized institutions, referred to as the prompt corrective action. The federal banking regulators have established five capital categories ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized") and must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. The federal banking regulators have specified by regulation the relevant capital levels for each category. The FDIA's prompt corrective action provisions only apply to depository institutions and not to bank holding companies. The Federal Reserve's regulations applicable to bank holding companies separately define "well capitalized." A financial holding company that is not well-capitalized and well-managed (or whose bank subsidiaries are not well capitalized and well managed) under applicable prompt corrective action standards may be restricted in certain of its activities and ultimately may lose financial holding company status. Under existing rules, a depository institution is deemed to be "well capitalized" if it has (i) a CET1 ratio of at least 6.5%, (ii) a Tier 1 capital ratio of at least 8%, (iii) a Total capital ratio of at least 10%, and (iv) a Tier 1 leverage ratio of at least 5%.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a BHC must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The BHC must also provide appropriate assurances of performance. An undercapitalized institution is also generally prohibited from increasing its average total assets, accepting brokered deposits or offering interest rates on any deposits significantly higher than prevailing market rates, making acquisitions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions failing to submit or implement an acceptable capital restoration plan are subject to appointment of a receiver or conservator.

**Transactions with Affiliates**

There are various legal restrictions on the extent to which M&T and its non-bank subsidiaries or affiliates (including M&T Realty Capital, M&T Securities, WT Investment Advisors and PUA) may borrow or otherwise obtain funding from M&T Bank and Wilmington Trust, N.A. In general, Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Regulation W require that any "covered transaction" by M&T Bank and Wilmington Trust, N.A. (or any of their respective subsidiaries) with an affiliate must in certain cases be secured by designated amounts of specified collateral and must be limited as follows: (i) in the case of any single such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries may not exceed 10% of the capital stock and surplus of such insured depository institution, and (ii) in the case of all affiliates, the aggregate amount of covered transactions of an insured depository institution and its subsidiaries may not exceed 20% of the capital stock and surplus of such insured depository institution. "Covered transactions" are defined by statute to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on terms and under circumstances including credit standards, (i) that are substantially the same, or at least as favorable to such bank or its subsidiary, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies, or in the absence of comparable transactions, (ii) that in good faith would be offered to, or would apply to, nonaffiliated companies.

**FDIC Insurance Assessments**

M&T Bank and Wilmington Trust, N.A. deposits are insured by the DIF of the FDIC up to the limits set forth under applicable law. The FDIC imposes a risk-based premium assessment system that determines assessment rates for financial institutions. Deposit insurance assessments are based on average total assets minus average tangible equity. For larger institutions, such as M&T Bank, the FDIC uses a performance score and a loss-severity score that are used to calculate an initial assessment rate. In calculating these scores, the FDIC uses a bank's capital level and supervisory ratings and certain financial measures to assess an institution's ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations. Under the current system, premiums are assessed quarterly.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

On October 18, 2022, the FDIC finalized a rule that would increase initial base deposit insurance assessment rates by 2 basis points, beginning with the first quarterly assessment period of 2023. The FDIC, as required under the FDIA, established a plan in September 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35 percent within eight years. The increased assessment is intended to improve the likelihood that the DIF reserve ratio would reach the required minimum by the statutory deadline of September 30, 2028.

**Acquisitions**

Federal and state laws impose notice and approval requirements for mergers and acquisitions involving depository institutions or bank holding companies. For example, the BHCA requires every BHC to obtain the prior approval of the Federal Reserve before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings institution, if after such acquisition, the BHC will directly or indirectly own or control 5% or more of the voting shares of the institution; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings institution; or (iii) it may merge or consolidate with any other BHC. In addition, financial holding companies are required to obtain prior approval from the Federal Reserve before acquiring certain nonbank financial companies with assets exceeding $10 billion.

The BHCA further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy and consideration of convenience and needs issues and includes the parties' performance under the CRA and compliance with laws, especially consumer protection laws. When evaluating a transaction, the Federal Reserve must also take into account the institutions' effectiveness in combating money laundering and consider the extent to which the transaction would result in greater or more concentrated risks to the stability of the United States banking or financial system.

**Executive and Incentive Compensation**
Guidelines adopted by several federal banking agencies prohibit excessive compensation as an unsafe and unsound practice and describe compensation as "excessive" when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. The Federal Reserve issued comprehensive guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act noted below. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance states that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets, such as M&T and M&T Bank. The agencies proposed rules to implement this requirement but these proposed rules have not been finalized.

In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including the New York Stock Exchange, to require policies mandating the recovery or "clawback" of excess incentive-based compensation earned by a current or former executive officer during the three fiscal years preceding a required accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The excess compensation would be based on the amount the executive officer would have received had the incentive-based compensation been determined using the restated financials. The final rule requires the exchanges to propose conforming listing standards by February 26, 2023 and requires the standards to become effective no later than November 28, 2023. Each listed issuer, which includes M&T as a listed issuer on the New York Stock Exchange, would then be required to adopt a clawback policy within 60 days after its exchange's listing standard has become effective. M&T will work to implement these new requirements as the rule becomes effective.

In addition, the NYSDFS issued guidance emphasizing that its regulated banking institutions, including M&T Bank, must ensure that any incentive compensation arrangements tied to employee performance indicators are subject to effective risk management, oversight and control.

**Resolution Planning**
Pursuant to the Dodd-Frank Act, as amended by EGRRCPA, certain bank holding companies are required to report periodically to the Federal Reserve and the FDIC a resolution plan for their rapid and orderly resolution in the event of material financial distress or failure. In late 2019, the Federal

Reserve and FDIC issued modified rules that, among other things, adjusted the review cycles and applicability of the agencies' resolution planning requirements. Under these rules, Category IV firms such as M&T are not required to submit resolution plans.

The FDIC has separately required insured depository institutions ("IDIs") with $50 billion or more in total assets, such as M&T Bank, to submit to the FDIC periodic plans for resolution in the event of the institution's failure. In January 2021, the FDIC lifted its existing moratorium on resolution plans, resuming the requirement for resolution plan submissions for IDIs with $100 billion or more in assets. The FDIC also announced its intention to engage in targeted engagement and capabilities testing related to resolution planning with select firms, for which M&T Bank most recently participated during 2021. In June 2021, the FDIC issued a Statement on Resolution Plans for IDI's, which, among other things, provides general information regarding the content that filers are expected to prepare and extends the submission frequency for specified IDI's to a three-year resolution plan filing cycle. Pursuant to this filing cycle, M&T Bank submitted its most recent resolution plan to the FDIC in November 2022.

**Insolvency of an Insured Depository Institution or a Bank Holding Company**

If the FDIC is appointed as conservator or receiver for an insured depository institution such as M&T Bank or Wilmington Trust, N.A., upon its insolvency or in certain other events without limitation, the FDIC has the power:

- to transfer any of the depository institution's assets and liabilities to a new depository institution, including a newly formed "bridge" bank without the approval of the insolvent depository institution's creditors or equity holders;
- to enforce the terms of the depository institution's contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or
- to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, under federal law, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including claims of debt holders of the institution, in the "liquidation or other resolution" of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of M&T Bank or Wilmington Trust, N.A., the debt holders would be treated differently from, and could receive, if anything, substantially less than, the depositors of the bank.

The Dodd-Frank Act created a new resolution regime (known as "orderly liquidation authority") for systemically important financial companies, including bank holding companies and their affiliates. Under the orderly liquidation authority, the FDIC may be appointed as receiver for the systemically important institution, and its failed subsidiaries, for purposes of liquidating the entity if, among other conditions, it is determined at the time of the institution's failure that it is in default or in danger of default and the failure poses a risk to the stability of the U.S. financial system.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the powers of the receiver, and the rights and obligations of creditors and other parties who have dealt with the institution, would be determined under the Dodd-Frank Act provisions, and not under the insolvency law that would otherwise apply. The powers of the receiver under the orderly liquidation authority were based on the powers of the FDIC as receiver for depository institutions under the FDIA. However, the provisions governing the rights of creditors under the orderly liquidation authority were modified in certain respects to reduce disparities with the treatment of creditors' claims under the U.S. Bankruptcy Code as compared with the treatment of those claims under the new authority. Nonetheless, substantial differences in the rights of creditors exist as between these two regimes, including the right of the FDIC to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer claims to a "bridge" entity.

An orderly liquidation fund will fund such liquidation proceedings through borrowings from the Treasury Department and risk-based assessments made, first, on entities that received more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of $50 billion or more, such as M&T. If an orderly liquidation is triggered, M&T could face assessments for the orderly liquidation fund.

The FDIC has developed a strategy under the orderly liquidation authority referred to as the "single point of entry" strategy, under which the FDIC would resolve a failed financial holding company by transferring its assets (including shares of its operating subsidiaries) and, potentially, very limited liabilities to a "bridge" holding company; utilize the resources of the failed financial holding company to recapitalize the operating subsidiaries; and satisfy the claims of unsecured creditors of the failed financial holding company and other claimants in the receivership by delivering securities of one or more new financial companies that would emerge from the bridge holding company. Under this strategy, management of the failed financial holding company would be replaced and shareholders and creditors of the failed financial holding company would bear the losses resulting from the failure.

**Depositor Preference**

Under federal law, depositors and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution in the "liquidation or other resolution" of such an institution by any receiver. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including depositors whose deposits are payable only outside of the United States and the parent BHC, with respect to any extensions of credit they have made to such insured depository institution.

**Financial Privacy and Cyber Security**

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public and personally identifiable information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

In November 2021, the federal banking agencies issued a final rule requiring banking organizations to notify their primary regulator as soon as possible and within 36 hours of determining that a "notification incident" has occurred. A notification incident is a "computer-security incident" that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector. The final rule also requires specific and immediate notifications by bank service providers that become aware of similar incidents. The rule was effective April 1, 2022, with compliance required by May 1, 2022.

Financial institutions regulated by the NYSDFS, including M&T Bank, are also subject to NYSDFS regulations on cybersecurity matters, including, among other things, requirements to (i) establish and maintain a cyber security program designed to ensure the confidentiality, integrity and availability of their information systems, (ii) implement and maintain a written cyber security policy setting forth policies and procedures for the protection of their information systems and nonpublic information and (iii) designate a Chief Information Security Officer.

On November 9, 2022, the NYSDFS released proposed amendments to its cybersecurity regulations that represent a significant update to the regulation of cybersecurity practices. The amendments generally fall within the following five categories: (i) increased mandatory controls associated with common attack vectors, (ii) enhanced requirements for privileged accounts, (iii) enhanced notification obligations, (iv) expansion of cyber governance practices and (v) additional cybersecurity requirements for larger companies. Most amendments as proposed would become effective within 180 days of adoption.

In March 2022, the SEC proposed new rules that would require registrants, such as M&T, to (i) report material cybersecurity incidents on Form 8-K, (ii) include updated disclosure in Forms 10-K and 10-Q of previously disclosed cybersecurity incidents and disclose previously undisclosed individually immaterial incidents when a determination is made that they have become material on an aggregated basis, (iii) disclose cybersecurity policies and procedures and governance practices, including at the board and management levels in Form 10-K and (iv) disclose the board of directors' cybersecurity expertise.

Many states and regulators have been increasingly active in implementing privacy and cybersecurity standards and regulations, including implementing or modifying their data breach notification and data privacy requirements. One example of recent state legislation is the California Consumer Privacy Act ("CCPA"), which became effective on January 1, 2020 and applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. November 2020 amendments expanding the scope of and requirements under the CCPA generally became effective on January 1, 2023.

**Consumer Protection Laws and the Consumer Financial Protection Bureau Supervision**

In connection with their respective lending and leasing activities, M&T Bank, Wilmington Trust, N.A. and certain of their subsidiaries, are each subject to a number of federal and state laws designed to protect consumers and promote lending to various sectors of the economy. Such laws include: the Electronic Signatures in Global and National Commerce Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Gramm-Leach Bliley Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Electronic Fund Transfer Act, the Real Estate Settlement Procedures Act, the Military Lending Act, the Servicemembers Civil Relief Act, and various state law counterparts. Furthermore, the CFPB has issued integrated disclosure requirements under the Truth in Lending Act and the Real Estate Settlement Procedures Act that relate to the provision of disclosures to consumers. There are also consumer protection laws governing deposit taking activities (e.g. the Expedited Funds Availability Act and the Truth in Savings Act), as well as securities and insurance laws governing certain aspects of the Company's consolidated operations.

The CFPB has broad powers to supervise and enforce most federal consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices which violate the Consumer Financial Protection Act. The CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets, including M&T Bank.

In addition, federal law permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

**Community Reinvestment Act**

The CRA is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. CRA examinations are conducted by the federal agencies that are responsible for supervising the relevant depository institutions: the Federal Reserve, the FDIC and the OCC. For purposes of the CRA, M&T is regulated by the Federal Reserve. A financial institution's performance in helping to meet the credit needs of its community is evaluated in the context of information about the institution (capacity, constraints and business strategies), its community (demographic and economic data, lending, investment, and service opportunities), and its competitors and peers. Upon completion of a CRA examination, an overall CRA Rating is assigned using a four-tiered rating system. These ratings are: "Outstanding," "Satisfactory," "Needs to Improve" and "Substantial Noncompliance." The CRA evaluation is used in evaluating applications for future approval of bank activities including mergers, acquisitions, charters, branch openings and deposit facilities. An unsatisfactory CRA evaluation could result in the delay or denial of acquisition or merger applications, among other activities. M&T Bank has a current rating of "Outstanding." M&T Bank is also subject to New York State CRA examination and is assessed using a 1 to 4 scoring system. M&T Bank currently has a rating of 1, or "Outstanding" from the NYSDFS. Wilmington Trust, N.A. has been designated a special purpose trust company since March 3, 2016, and is therefore exempt from the requirements of the CRA. In May 2022, the OCC, the Federal Reserve, and the FDIC jointly issued a proposed rule to modernize Federal banking regulators' regulations implementing the CRA. The proposed rule would adjust CRA evaluations based on bank size and type, with many of the proposed changes applying only to banks with over $2 billion in assets and several applying only to banks with over $10 billion in assets, such as M&T. The effects on the Company of any potential change to the CRA rules will depend on the final form of any Federal Reserve rulemaking.

**Bank Secrecy Act Regulation and Anti-Money Laundering Obligations**

Federal laws and regulations impose obligations on U.S. financial institutions, including banks and broker/dealer subsidiaries, to implement and maintain appropriate policies, procedures and controls which are reasonably designed to prevent, detect and report instances of money laundering and the financing of terrorism and to verify the identity of their customers. These provisions also require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing bank mergers and BHC acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution, including the denial by federal regulators of proposed merger, acquisition, restructuring or other expansionary activity.

The Financial Crimes Enforcement Network ("FinCEN"), which drafts regulations implementing the USA PATRIOT Act and other anti-money laundering and Bank Secrecy Act legislation, has adopted rules that require financial institutions to, among other things, obtain beneficial ownership information with respect to legal entities with which such institutions conduct business, subject to certain exclusions and exemptions. Bank regulators are focusing their examinations on anti-money laundering compliance, and M&T continues to monitor and augment, where necessary, its Bank Secrecy Act and Anti-Money Laundering ("BSA/AML") Compliance Program.

The Anti-Money Laundering Act of 2020 ("AMLA"), which amends the BSA, was enacted in January 2021. The AMLA is intended to comprehensively reform and modernize U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the U.S. Department of the Treasury to promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards for testing technology and internal processes for BSA compliance; expands enforcement and investigation-related authority, including increasing available sanctions for certain BSA violations; and expands BSA whistleblower incentives and protections. In June 2021, FinCEN issued the priorities for anti-money laundering and countering the financing of terrorism policy required under AMLA. The priorities include: corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing. M&T reviews and monitors its anti-money laundering compliance program to ensure it complies with the changes reflected in the AMLA and the regulations that implement it.

**Office of Foreign Assets Control Regulation**

The United States has imposed economic sanctions that prohibit transactions with designated foreign countries, nationals and others. These are typically known as the "OFAC" rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC"). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g. property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences, including denial by federal regulators of proposed merger, acquisition, restructuring, or other expansionary activity. The OFAC rules are included as part of M&T's BSA/AML Compliance Program, which M&T continues to monitor and augment, where necessary.

**Regulation of Insurers and Insurance Brokers**

The Company's operations in the areas of insurance agency/brokerage and reinsurance of credit life insurance are subject to regulation and supervision by various state insurance regulatory authorities. Although the scope of regulation and form of supervision may vary from state to state, insurance laws generally grant broad discretion to regulatory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling of customer funds held in a fiduciary capacity. Certain of M&T's subsidiaries that are engaged in insurance-related activities are subject to extensive regulatory supervision and to insurance laws and regulations requiring, among other things, maintenance of capital, record keeping, reporting and examinations.

**Federal Reserve Policies**

The earnings of the Company are significantly affected by the monetary and fiscal policies of governmental authorities, including the Federal Reserve. Among the instruments of monetary policy used by the Federal Reserve are open-market operations in U.S. Government securities and federal funds, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, and the interest rates charged on loans and paid for deposits. The Federal Reserve frequently uses these instruments of monetary policy, especially its open-market operations and the discount rate, to influence the level of interest rates and to affect the strength of the economy, the level of inflation or the price of the dollar in foreign exchange markets. The monetary policies of the Federal Reserve have had a significant effect on the operating results of banking institutions in the past and are expected to continue to do so in the future. It is not possible to predict the nature of future changes in monetary and fiscal policies or the effect which they may have on the Company’s business and earnings.

**Corporate Governance**

M&T’s Corporate Governance Standards and the following corporate governance documents are also available on M&T’s website at the Investor Relations link: Audit Committee Charter; Compensation and Human Capital Committee Charter; Executive Committee Charter; Nomination and Governance Committee Charter; Risk Committee Charter; Disclosure and Regulation FD Policy; Code of Ethics for CEO and Senior Financial Officers; and Code of Business Conduct and Ethics. In accordance with SEC rules, M&T will post on its website or file a Form 8-K to report any amendment to or waiver from any provision of the Code of Ethics for CEO and Senior Financial Officers or the Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Controller, or persons performing similar functions. Copies of such governance documents are also available, free of charge, to any person who requests them. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

**Human Capital Resources**

M&T recognizes employees are the difference makers that drive its success. The Company’s talent strategy focuses on recruiting, engaging, developing and retaining high-performing individuals whose strengths align with M&T’s values, purpose and leadership competencies to create and maintain a highly competitive and diverse workforce.

As of December 31, 2022, the Company employed 22,808 full-time and part-time employees. The Company’s current employee base is concentrated in the Northeast and Mid-Atlantic United States, with approximately 51% of employees residing in New York, followed by approximately 10% in Connecticut and 9% in each of Delaware and Maryland. The remainder are primarily concentrated in other states where M&T Bank maintains a retail bank branch presence. Approximately 4% of the Company’s employee base resides outside of its retail banking footprint. Inclusive in the above, as of December 31, 2022, the Company employed 118 international employees based in the UK, Ireland, Canada, Germany and France. The Company’s employee base includes 6,022 employees that support customers in the retail branch network. Overall, the average tenure of the Company’s employees is 9.5 years and the average tenure of the Company’s executive officers is 19.5 years.

***Talent Attraction and Diversity, Equity and Inclusion***

The Company leverages various channels to effectively identify, develop and recruit high-caliber talent throughout its footprint including its current employee base. The Employee Referral Program is a powerful tool for generating applicants and accounted for 23% of new hires in 2022. In addition, the Company's Talent Acquisition Ambassador Program, which was implemented in 2020 and currently includes 48 employees throughout different business lines, dedicated over 800 hours towards promoting awareness of M&T career opportunities within the Company's communities.

The Company's recruitment team strives to create and maintain diverse representation at all levels and in all areas of the organization to promote a sense of belonging among employees and maintain a workforce that reflects the communities the Company serves. Employees attended 70 individual diversity-based recruiting events in 2022 with target audiences crossing many diversity dimensions, such as people of color, veterans, LGBTQ+, individuals with disabilities and women. The Company also works with diversity-focused schools and organizations as part of its efforts to recruit and maintain a diverse workforce. In 2022, 45% of total corporate hires were people of color and 61% were women, 40% of summer interns were people of color, and 53% of the participants in the Company's Technology Internship Program were people of color. As of December 31, 2022, the entire Company's workforce consisted of approximately 60% women and 27% people of color. This year, M&T also partnered with the Department of Defense to further the development of two programs focused on providing active members approaching the end of their service with civilian work experience, industry training, and career development opportunities, post military.

To further drive diversity within the Company, M&T also supports several employee resource group charters and chapters, which are voluntary, employee-driven groups organized around a particular shared interest and characteristic, such as race, ethnicity, gender, sexual orientation or differing abilities. Approximately 30% of the Company's employees and 46% of managers are involved in these groups. The Company's diversity efforts are led by its Chief Diversity Officer, who is a member of senior leadership, and the Senior Leadership Diversity & Inclusion Council, both of which champion inclusion efforts throughout the Company. M&T's Board of Directors also receives regular updates on the Company's diversity, inclusion and belonging efforts.

***Engagement and Development***

M&T's commitment to recruiting top talent and regularly soliciting their feedback helps to create a highly engaged employee base that drives the Company's success. Since 2001, the Company has conducted 17 "Engagement Surveys," with average participation rates above 90%, demonstrating a commitment to fostering candid, open and honest two-way communication with employees to enhance the workplace. All survey results are reviewed with senior management and shared with individual managers, who identify and implement improvements based on employees' feedback, as well as presented to M&T's Board of Directors. Employees also participate in action planning within individual work groups. In addition, M&T conducts other surveys to monitor and guide the employee experience throughout an employee's time with the Company. Surveys are conducted at various times, such as new hire onboarding or separation from the Company, as well as in connection with key events, such as acquisitions.

The Company also encourages engagement with communities through the allotment of 40 hours of paid volunteer time. In 2022, M&T employees volunteered approximately 159,000 hours and served on the boards of 831 non-profit organizations.

Another key pillar of engagement, employee development and growth, is fostered through the Company's strong performance management philosophy focused on reinforcing corporate values, providing continuous, transparent feedback and recognizing and rewarding outstanding performance. Additional employee development is cultivated through a variety of learning offerings on topics such as technical skills, job-specific knowledge and professional development, including courses aligned with the Company's enterprise-wide leadership competencies. Training content is made available as synchronous, asynchronous, and blended learning solutions to promote employee access. The Company also invests in creating its leaders of tomorrow through various internal programs including its Manager Acceleration Program, Management Development Program, Executive Associate Program, Technology Development Program and two additional programs focused on the Company's high-performing diverse employees - the Rising Leadership Development Program and Equity One.

***Compensation, Health and Wellness***

The Company provides comprehensive compensation and benefits programs intended to attract, retain and incentivize its employees. In addition to base pay, these programs (which vary by country and region) include cash incentives, long term equity-based awards, an Employee Stock Purchase Plan, a 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, parental leave, family care resources, flexible work schedules, employee assistance programs and tuition assistance, among others. Over the past year, the Company has also implemented an educational program to provide transparency to employees around the different processes completed to ensure fair and equitable compensation for all team members.

The Company’s wellness programs provide employees and their families with resources that may be helpful in navigating life events and are designed to provide support to help improve their well-being. In addition to addressing employees’ physical needs through flexible and convenient medical plan and telemedicine options, M&T supports employees’ emotional health and social well-being through various programs offered to employees. The Company joins with several of its medical partners to offer sponsored events and courses, led by medical experts, and also works to help employees manage their financial wellness through free educational resources.

## Competition

The Company faces extensive and intensive competition in the products and services it offers. The Company competes in offering commercial and personal financial and wealth services with other banking institutions and thrifts and with firms in a number of other industries, such as credit unions, personal loan companies, sales finance companies, leasing companies, securities brokerage firms, mutual fund companies, hedge funds, wealth and investment advisory firms, insurance companies and other financial services-related entities. Furthermore, diversified financial services companies are able to offer a combination of these services to their customers on a nationwide basis. Financial technology companies, using digital, mobile and other technologies, also are increasingly offering traditional banking products and services, which has resulted in the Company contending with a broader range of competitors, including many that are not located within the geographic footprint of the Company’s banking office network.

## Other Information

Through a link on the Investor Relations section of M&T’s website at www.mtb.com, copies of M&T’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. Copies of such reports and other information are also available at no charge to any person who requests them or at www.sec.gov. Such requests may be directed to M&T Bank Corporation, Shareholder Relations Department, One M&T Plaza, 8th Floor, Buffalo, NY 14203-2399 (Telephone: (716) 842-5138).

**Disclosure Pursuant to Subpart 1400 of Regulation S-K**
See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K.

**Table 1**

## SELECTED CONSOLIDATED YEAR-END BALANCES

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Interest-bearing deposits at banks | $ 24,958,719 | $ 41,872,304 | $ 23,663,810 | $ 7,190,154 | $ 8,105,197 |
| Federal funds sold | 3,000 | — | — | 3,500 | — |
| Trading account | 117,847 | 49,745 | 50,060 | 59,329 | 56,348 |
| Investment securities | | | | | |
| U.S. Treasury and federal agencies | 21,476,761 | 6,504,382 | 6,360,218 | 8,746,749 | 11,746,240 |
| Obligations of states and political subdivisions | 2,577,078 | 177 | 1,531 | 4,915 | 9,153 |
| Other | 1,157,032 | 651,301 | 683,948 | 745,587 | 937,420 |
| Total investment securities | 25,210,871 | 7,155,860 | 7,045,697 | 9,497,251 | 12,692,813 |
| Loans and leases | | | | | |
| Commercial, financial, leasing, etc. | 42,277,041 | 23,621,188 | 27,801,382 | 23,987,897 | 23,136,913 |
| Commercial real estate | 45,444,010 | 35,473,884 | 37,728,844 | 35,633,593 | 34,448,927 |
| Residential real estate | 23,773,842 | 16,077,275 | 16,786,673 | 16,193,154 | 17,191,566 |
| Consumer | 20,579,263 | 17,964,331 | 16,558,889 | 15,373,881 | 13,956,086 |
| Total loans and leases | 132,074,156 | 93,136,678 | 98,875,788 | 91,188,525 | 88,733,492 |
| Unearned discount | (509,993) | (224,226) | (339,921) | (265,656) | (267,015) |
| Loans and leases, net of unearned discount | 131,564,163 | 92,912,452 | 98,535,867 | 90,922,869 | 88,466,477 |
| Allowance for credit losses | (1,925,331) | (1,469,226) | (1,736,387) | (1,051,071) | (1,019,444) |
| Loans and leases, net | 129,638,832 | 91,443,226 | 96,799,480 | 89,871,798 | 87,447,033 |
| Goodwill | 8,490,089 | 4,593,112 | 4,593,112 | 4,593,112 | 4,593,112 |
| Core deposit and other intangible assets | 209,374 | 3,998 | 14,165 | 29,034 | 47,067 |
| Real estate and other assets owned | 41,375 | 23,901 | 34,668 | 85,646 | 78,375 |
| Total assets | 200,729,841 | 155,107,160 | 142,601,105 | 119,872,757 | 120,097,403 |
| Noninterest-bearing deposits | 65,501,860 | 60,131,480 | 47,572,884 | 32,396,407 | 32,256,668 |
| Savings and interest-checking deposits | 87,911,463 | 68,603,966 | 67,680,840 | 54,932,162 | 50,963,744 |
| Time deposits | 10,101,545 | 2,807,963 | 3,899,910 | 5,757,456 | 6,124,254 |
| Deposits at Cayman Islands office | — | — | 652,104 | 1,684,044 | 811,906 |
| Total deposits | 163,514,868 | 131,543,409 | 119,805,738 | 94,770,069 | 90,156,572 |
| Short-term borrowings | 3,554,951 | 47,046 | 59,482 | 62,363 | 4,398,378 |
| Long-term borrowings | 3,964,537 | 3,485,369 | 4,382,193 | 6,986,186 | 8,444,914 |
| Total liabilities | 175,411,851 | 137,203,755 | 126,413,822 | 104,156,108 | 104,637,212 |
| Shareholders' equity | 25,317,990 | 17,903,405 | 16,187,283 | 15,716,649 | 15,460,191 |

**Table 2**

## SHAREHOLDERS, EMPLOYEES AND OFFICES

| Number at Year-End | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Shareholders | 32,493 | 16,099 | 16,797 | 17,333 | 18,099 |
| Employees | 22,808 | 17,569 | 17,373 | 17,773 | 17,267 |
| Offices | 1,043 | 724 | 751 | 771 | 794 |

**Table 3**

## CONSOLIDATED EARNINGS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| **Interest income** | | | | | |
| Loans and leases, including fees | $ 5,237,405 | $ 3,748,988 | $ 3,975,053 | $ 4,442,182 | $ 4,164,561 |
| Investment securities | | | | | |
| Fully taxable | 447,646 | 141,046 | 176,469 | 288,532 | 323,912 |
| Exempt from federal taxes | 51,113 | 116 | 183 | 321 | 665 |
| Deposits at banks | 509,030 | 47,491 | 32,956 | 141,397 | 108,182 |
| Other | 1,926 | 1,143 | 8,051 | 7,161 | 1,391 |
| Total interest income | 6,247,120 | 3,938,784 | 4,192,712 | 4,879,593 | 4,598,711 |
| **Interest expense** | | | | | |
| Savings and interest-checking deposits | 270,765 | 32,998 | 146,701 | 368,003 | 215,411 |
| Time deposits | 23,867 | 18,635 | 66,280 | 95,426 | 51,423 |
| Deposits at Cayman Islands office | — | 201 | 4,054 | 21,917 | 5,633 |
| Short-term borrowings | 19,426 | 7 | 28 | 24,741 | 5,386 |
| Long-term borrowings | 111,106 | 62,165 | 109,332 | 239,242 | 248,556 |
| Total interest expense | 425,164 | 114,006 | 326,395 | 749,329 | 526,409 |
| **Net interest income** | 5,821,956 | 3,824,778 | 3,866,317 | 4,130,264 | 4,072,302 |
| Provision for credit losses | 517,000 | (75,000) | 800,000 | 176,000 | 132,000 |
| Net interest income after provision for credit losses | 5,304,956 | 3,899,778 | 3,066,317 | 3,954,264 | 3,940,302 |
| **Other income** | | | | | |
| Mortgage banking revenues | 356,636 | 571,329 | 566,641 | 457,770 | 360,442 |
| Service charges on deposit accounts | 446,604 | 402,113 | 370,788 | 432,978 | 429,337 |
| Trust income | 740,717 | 644,716 | 601,884 | 572,608 | 537,585 |
| Brokerage services income | 87,877 | 62,791 | 47,428 | 48,922 | 51,069 |
| Trading account and non-hedging derivative gains | 26,786 | 24,376 | 40,536 | 62,044 | 32,547 |
| Gain (loss) on bank investment securities | (5,686) | (21,220) | (9,421) | 18,037 | (6,301) |
| Other revenues from operations | 703,669 | 482,889 | 470,588 | 469,320 | 451,321 |
| Total other income | 2,356,603 | 2,166,994 | 2,088,444 | 2,061,679 | 1,856,000 |
| **Other expense** | | | | | |
| Salaries and employee benefits | 2,787,351 | 2,045,677 | 1,950,692 | 1,900,797 | 1,752,264 |
| Equipment and net occupancy | 474,316 | 326,698 | 322,037 | 324,079 | 298,828 |
| Outside data processing and software | 376,493 | 291,839 | 258,480 | 229,731 | 199,025 |
| FDIC assessments | 90,274 | 69,704 | 53,803 | 41,535 | 68,526 |
| Advertising and marketing | 90,748 | 64,428 | 61,904 | 93,472 | 85,710 |
| Printing, postage and supplies | 55,570 | 36,507 | 39,869 | 39,893 | 35,658 |
| Amortization of core deposit and other intangible assets | 55,624 | 10,167 | 14,869 | 19,490 | 24,522 |
| Other costs of operations | 1,120,060 | 766,603 | 683,586 | 819,685 | 823,529 |
| Total other expense | 5,050,436 | 3,611,623 | 3,385,240 | 3,468,682 | 3,288,062 |
| Income before income taxes | 2,611,123 | 2,455,149 | 1,769,521 | 2,547,261 | 2,508,240 |
| Income taxes | 619,460 | 596,403 | 416,369 | 618,112 | 590,160 |
| **Net income** | $ 1,991,663 | $ 1,858,746 | $ 1,353,152 | $ 1,929,149 | $ 1,918,080 |
| **Dividends declared** | | | | | |
| Common | $ 786,245 | $ 582,967 | $ 569,076 | $ 552,216 | $ 510,458 |
| Preferred | 96,587 | 72,915 | 68,228 | 72,482 | 72,521 |

**Table 4**

## COMMON SHAREHOLDER DATA

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Per share | | | | | |
| Net income | | | | | |
| Basic | $ 11.59 | $ 13.81 | $ 9.94 | $ 13.76 | $ 12.75 |
| Diluted | 11.53 | 13.80 | 9.94 | 13.75 | 12.74 |
| Cash dividends declared | 4.80 | 4.50 | 4.40 | 4.10 | 3.55 |
| Common shareholders' equity at year-end | 137.68 | 125.51 | 116.39 | 110.78 | 102.69 |
| Tangible common shareholders' equity at year-end | 86.59 | 89.80 | 80.52 | 75.44 | 69.28 |
| Dividend payout ratio | 41.56% | 32.69% | 44.32% | 29.70% | 27.66% |

**Table 5**

## CHANGES IN INTEREST INCOME AND EXPENSE (a)

| | 2022 Compared with 2021 | | | 2021 Compared with 2020 | | |
|---|---|---|---|---|---|---|
| | | Resulting from Changes in: | | | Resulting from Changes in: | |
| | Total Change | Volume | Rate | Total Change | Volume | Rate |
| | (Increase (decrease) in thousands) | | | | | |
| Interest income (a) | | | | | | |
| Loans and leases, including fees | $ 1,495,960 | 960,566 | 535,394 | $ (228,557) | 313 | (228,870) |
| Deposits at banks | 461,539 | (3,446) | 464,985 | 14,535 | 30,322 | (15,787) |
| Federal funds sold and agreements to resell securities | 96 | (172) | 268 | (6,783) | (4,294) | (2,489) |
| Trading account | 687 | 923 | (236) | (169) | (60) | (109) |
| Investment securities | | | | | | |
| U.S. Treasury and federal agencies | 281,472 | 270,334 | 11,138 | (35,670) | (38,576) | 2,906 |
| Obligations of states and political subdivisions | 71,171 | 71,183 | (12) | (95) | (105) | 10 |
| Other | 21,852 | 6,385 | 15,467 | 255 | (642) | 897 |
| Total interest income | $ 2,332,777 | | | $ (256,484) | | |
| Interest expense | | | | | | |
| Interest-bearing deposits | | | | | | |
| Savings and interest-checking deposits | $ 237,767 | 8,121 | 229,646 | $ (113,703) | 14,603 | (128,306) |
| Time deposits | 5,232 | 8,107 | (2,875) | (47,645) | (17,823) | (29,822) |
| Deposits at Cayman Islands office | (201) | (201) | — | (3,853) | (2,100) | (1,753) |
| Short-term borrowings | 19,419 | 1,162 | 18,257 | (21) | 4 | (25) |
| Long-term borrowings | 48,941 | (1,744) | 50,685 | (47,167) | (40,540) | (6,627) |
| Total interest expense | $ 311,158 | | | $ (212,389) | | |

*(a) Interest income data are on a taxable-equivalent basis. The apportionment of changes resulting from the combined effect of both volume and rate was based on the separately determined volume and rate changes.*

## Item 1A. *Risk Factors.*

### Risk Factors Summary

***Risks Relating to the Acquisition of People's United***

- M&T may fail to realize the anticipated benefits of the acquisition of People's United and integrating People's United may be more difficult, costly or time-consuming than expected.
- M&T may be unable to retain personnel successfully.
- Litigation related to the acquisition has been filed in the past and additional litigation may be filed in the future, which could result in the payment of damages or otherwise negatively impact the business and operations of M&T.

***Market Risk***

- Weakness in the economy has adversely affected the Company in the past and may adversely affect the Company in the future.
- The Company's business and financial performance is impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance over which the Company has no control and which the Company may not be able to anticipate adequately.
- The discontinuation of LIBOR as a permissible rate index in new contracts, the formal announcement of LIBOR's cessation date, and the development of SOFR and other alternative benchmark indices to replace LIBOR could adversely impact the Company's business and results of operations.
- The Company's business and performance is vulnerable to the impact of volatility in debt and equity markets.
- The Company's regional concentrations expose it to adverse economic conditions in its primary retail banking office footprint.

***Risks Relating to Compliance and the Regulatory Environment***

- The Company is subject to extensive government regulation and supervision and this regulatory environment can be and has been significantly impacted by financial regulatory reform initiatives.
- The Company may be subject to more stringent capital and liquidity requirements.
- M&T's ability to return capital to shareholders and to pay dividends on common stock may be adversely affected by market and other factors outside of its control and will depend, in part, on the results of supervisory stress tests administered by the Federal Reserve.
- If an orderly liquidation of a systemically important BHC or non-bank financial company were triggered, M&T could face assessments for the Orderly Liquidation Fund ("OLF").

***Credit Risk***

- Deteriorating credit quality could adversely impact the Company.
- The Company may be adversely affected by the soundness of other financial institutions.

***Liquidity Risk***

- The Company must maintain adequate sources of funding and liquidity.
- If the Company is unable to maintain or grow its deposits, it may be subject to paying higher funding costs.
- M&T relies on dividends from its subsidiaries for its liquidity.

***Strategic Risk***

- The financial services industry is highly competitive and creates competitive pressures that could adversely affect the Company's revenue and profitability.

- Difficulties in obtaining regulatory approval for acquisitions and in combining the operations of acquired entities with the Company's own operations may prevent M&T from achieving the expected benefits from its acquisitions.
- M&T could suffer if the Company fails to attract and retain skilled personnel.

***Operational Risk***

- The Company is subject to operational risk which could adversely affect the Company's business and reputation and create material legal and financial exposure.
- The Company's information systems may experience interruptions or breaches in security, including due to events beyond the Company's control.
- The Company could incur higher costs, experience lower revenue, and suffer reputational damage in the event of the theft, loss or misuse of information, including due to a cyber security attack.
- The Company is subject to laws and regulations relating to the privacy of the information of customers, clients, employees or others, and any failure to comply with these laws and regulations could expose the Company to liability and/or reputational damage.
- M&T relies on other companies to provide key components of the Company's business infrastructure.
- The Company is or may become involved from time to time in suits, legal proceedings, information-gathering requests, investigations and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.

***Business Risk***

- Changes in accounting standards could impact the Company's reported financial condition and results of operations.
- The Company's reported financial condition and results of operations depend on management's selection of accounting methods and require management to make estimates about matters that are uncertain.
- The Company's models used for business planning purposes could perform poorly or provide inadequate information.
- The Company is exposed to reputational risk.
- The Company's framework for managing risks may not be effective.
- Pandemics, including COVID-19, acts of war or terrorism and other adverse external events could significantly impact the Company's business.
- The Company's assets, communities, operations, reputation and customers could be adversely affected by the impacts of climate risk.

**Risk Factors**

M&T and its subsidiaries face a number of potential risks and uncertainties that are difficult to predict. As a financial institution, certain risk elements are inherent in the ordinary course of the Company's business activities and adverse experience with those risks could have a material impact on the Company's business, financial condition, liquidity and results of operations, as well as on the values of the Company's financial instruments and M&T's securities, including its common stock. The following risk factors set forth some of the risks that could materially and adversely impact the Company, although there may be additional risks that are not presently material or known that may adversely affect the Company.

***Risks Related to the Acquisition of People's United***

*M&T may fail to realize the anticipated benefits of the acquisition of People's United and integrating People's United may be more difficult, costly or time-consuming than expected.*

In connection with the acquisition of People's United that was completed on April 1, 2022, M&T has incurred and may further incur costs as M&T continues to integrate the People's United business. The success of the acquisition depends, in part, on the ability to realize the anticipated cost savings from combining the businesses of M&T and People's United. To realize the anticipated benefits and cost savings from the acquisition, M&T must integrate and combine People's United's businesses in a manner that permits cost savings to be realized, without adversely affecting revenues and future growth. If M&T is not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the acquisition could be less than anticipated.

There can be no assurances that the expected benefits and efficiencies related to the acquisition will be realized to offset the transaction and integration costs over time. M&T may also incur additional costs to retain legacy People's United customers, maintain employee morale and to retain key employees. M&T has waived certain fees following conversion of customer deposit accounts to M&T's deposit servicing system, and similar or other costs related to integration of People's United or operations as a combined company may be incurred in the future.

It is possible that challenges related to operating as a combined company could result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect M&T's abilities to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the acquisition. An inability to realize the full extent of the anticipated benefits of the acquisition could have an adverse effect upon the revenues, levels of expenses and operating results of M&T, which may adversely affect the value of M&T's common stock.

*M&T may be unable to retain personnel successfully.*

The success of the acquisition will depend in part on the Company's ability to retain the talents and dedication of key employees. It is possible that these employees, including key legacy People's United employees, may decide not to remain with the Company. If the Company is unable to retain key employees, including management, who are critical to the successful future operations of the combined company, the Company could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. If key employees terminate their employment, the Company's business activities may be adversely affected and the Company may not be able to locate or retain suitable replacements.

*Litigation related to the acquisition has been filed in the past and additional litigation may be filed in the future, which could result in the payment of damages or otherwise negatively impact the business and operations of the Company.*

Although not currently active, litigation related to the acquisition was filed against People's United, the People's United board of directors and M&T prior to the completion of the acquisition. Additional litigation may be filed against M&T and the M&T board of directors in the future. Among other remedies, litigation that was filed sought damages, and additional litigation by shareholders of M&T in the future may seek damages or other remedies. The outcome of any litigation is uncertain. Such lawsuits and the defense or settlement of any such lawsuits may have an adverse effect on the financial condition and results of operations of M&T.

***Market Risk***

*Weakness in the economy has adversely affected the Company in the past and may adversely affect the Company in the future.*

Poor business and economic conditions in general or specifically in markets served by the Company could have adverse effects on the Company's business including:

- A decrease in the demand for loans and other products and services offered by the Company.
- A decrease in net interest income derived from the Company's lending and deposit gathering activities.
- A decrease in the value of the Company's investment securities, loans held for sale or other assets secured by residential or commercial real estate.
- A decrease in fees from the Company's brokerage, trust, and investment management businesses associated with declines or lack of growth in stock market prices.
- Potential higher FDIC assessments due to the DIF falling below minimum required levels.
- An impairment of certain intangible assets, such as goodwill.
- An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company. An increase in the number of delinquencies, bankruptcies or defaults could result in higher levels of nonperforming assets, net charge-offs, provision for credit losses as well as impairment write-downs of certain investment securities and valuation adjustments on loans held for sale.

If recessionary economic conditions develop, they would likely have a negative financial impact across the financial services industry, including on the Company. If recessionary economic conditions are more severe, the extent of the negative impact on the Company's business and financial performance can increase and be more severe, including the adverse effects listed above and discussed throughout this "Risk Factors" section.

Supply chain constraints, robust demand and labor shortages have led to persistent inflationary pressures throughout the economy. Volatility and uncertainty related to inflation and the effects of inflation, which may lead to increased costs for businesses and consumers and potentially contribute to poor business and economic conditions generally, may also enhance or contribute to some of the risks discussed herein. For example, higher inflation, or volatility and uncertainty related to inflation, could reduce demand for the Company's products, adversely affect the creditworthiness of the Company's borrowers, result in lower values for the Company's investment securities and other interest-earning assets and increase expense related to talent acquisition and retention.

Additionally, economic conditions, financial markets and inflationary pressures may be adversely affected by the impact of current or anticipated geopolitical uncertainties, military conflicts, including Russia's invasion of Ukraine, pandemics, including the COVID-19 pandemic, and global, national and local responses thereto by governmental authorities and other third parties. These unpredictable events could create, increase or prolong economic and financial disruptions and volatility that adversely affects the Company's business, financial condition, capital and results of operations.

*The Company's business and financial performance is impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance over which the Company has no control and which the Company may not be able to anticipate adequately.*

The Federal Reserve raised benchmark interest rates throughout 2022 and may continue to raise interest rates in response to economic conditions, particularly inflationary pressures. As a result of the high percentage of the Company's assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, including in the shape of the yield curve or in spreads between different market interest rates, as well as changes linked to inflation, can have a material effect on the Company's business and profitability and the value of the Company's assets and liabilities.

For example, changes in interest rates or interest rate spreads may:

- Affect the difference between the interest that the Company earns on assets and the interest that the Company pays on liabilities, which impacts the Company's overall net interest income and profitability.
- Adversely affect the ability of borrowers to meet obligations under variable or adjustable-rate loans and other debt instruments, which, in turn, affects the Company's loss rates on those assets.
- Decrease the demand for interest rate-based products and services, including loans and deposits.
- Affect the Company's ability to hedge various forms of market and interest rate risk and may decrease the profitability or protection or increase the risk or cost associated with such hedges.
- Affect mortgage prepayment speeds and result in the impairment of capitalized mortgage servicing assets, reduce the value of loans held for sale and increase the volatility of mortgage banking revenues, potentially adversely affecting the Company's results of operations.

The monetary, tax and other policies of the government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking organizations such as the Company. An important function of the Federal Reserve is to regulate the national supply of bank credit and certain interest rates. The actions of the Federal Reserve influence the rates of interest that the Company charges on loans and that the Company pays on borrowings and interest-bearing deposits and can also affect the value of the Company's on-balance sheet and off-balance sheet financial instruments. Interest rate increases have recently reduced the value of the Company's investment portfolio, for example, by decreasing the estimated fair value of fixed income securities. Furthermore, as interest rates rise, the Company's unrealized gains on fixed income securities would ordinarily decrease and unrealized losses would ordinarily increase, which occurred in 2022 and could continue to occur in 2023. Also, due to the impact on rates for short-term funding, the Federal Reserve's policies influence, to a significant extent, the Company's cost of such funding, and increases in short-term interest rates have in the past increased, and may in the future increase, the Company's cost of short-term funding.

In addition, the Company is routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. M&T cannot predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on the Company's business activities, financial condition and results of operations.

*The discontinuation of LIBOR as a permissible rate index in new contracts, the formal announcement of LIBOR's cessation date, and the development of SOFR and other alternative benchmark indices to replace LIBOR could adversely impact the Company's business and results of operations.*

The Company's floating-rate funding, certain hedging transactions and a significant portion of the Company's products, such as floating-rate loans and mortgages, determine the applicable interest rate or payment amount by reference to a benchmark rate, such as the London Interbank Offered Rate ("LIBOR"), or to an alternative index.

With respect to LIBOR, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, and the ICE Benchmark Administration ("IBA"), the administrator of LIBOR, have announced that the publication of all tenors of USD LIBOR, which to date have been calculated and determined by the IBA based on the required submissions by independent panel banks, will cease to exist and/or cease to be "representative" after June 30, 2023. In response and in coordination, U.S. federal bank regulators, including the Federal Reserve, required U.S. banks to cease using USD LIBOR as a reference rate in new contracts by December 31, 2021.

Concurrently, the Federal Reserve-sponsored Alternative Reference Rates Committee ("ARRC") finalized and issued recommendations for the use of so-called "hardwired" LIBOR fallback language that, when incorporated into existing LIBOR-based loan documents, provides for, upon LIBOR's permanent cessation (or an announcement from LIBOR's administrator or certain governmental authorities that LIBOR is no longer representative of the underlying market), the replacement of LIBOR with the Secured Overnight Financing Rate ("SOFR") as the benchmark index, with an appropriate spread adjustment that is representative of the historical difference between LIBOR and SOFR, which when added to SOFR would be intended to facilitate a value-neutral transition. Subsequently, the ARRC expanded its recommendation to include CME Term SOFR, a derivative of SOFR that is currently administered and published by the CME Group Benchmark Administration Limited. In 2021 M&T adopted hardwired fallback language modeled after the ARRC recommendations for use in all new commercial LIBOR loans, and continues to proactively seek amendments to its existing LIBOR-based commercial loan contracts to incorporate such hardwired fallback language or move to an alternative index prior to the cessation of LIBOR.

SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-based repurchase transactions. The fact that SOFR is a secured overnight rate and considered a "risk free" rate, while LIBOR is an unsecured term rate that factors in credit risk, means that SOFR may perform differently than LIBOR, and those differences may be material, particularly in times of economic stress, negatively impacting the Company's profitability.

While the ARRC has maintained its recommendation that SOFR is the preferred replacement for LIBOR, some industry participants have questioned whether a "risk free" SOFR-based rate is an ideal replacement for LIBOR in the commercial lending market and suggesting that a credit-sensitive component or alternative be considered and developed. One such credit sensitive alternative is the Bloomberg Short-Term Bank Yield Index (BSBY), which gained some modest attention and use in the commercial lending market in the latter half of 2021 (primarily in syndicated loans), but has since gained little traction. Whether BSBY or other alternatives to SOFR develop and gain any significant market traction in the future are unknown and unpredictable at this time, and this adds further market uncertainty with respect to introducing alternative benchmark rates for new contracts.

LIBOR cessation is also impacting the derivatives market. In October 2020, The International Swaps and Derivatives Association, Inc. (ISDA), published the IBOR Fallbacks Supplement (Supplement) and IBOR Fallbacks Protocol (Protocol). The Supplement, which became effective on January 25, 2021, amends existing standard definitions for interest rate derivatives to incorporate robust fallbacks to the SOFR benchmark for derivatives linked to LIBOR. The Protocol enables market participants to incorporate these revisions into their legacy non-cleared derivatives trades with other counterparties that choose to adhere to the Protocol. The fallbacks apply following a permanent cessation of LIBOR or following a determination by the FCA that LIBOR is no longer representative of the underlying market. M&T and M&T Bank adhered to the Protocol on November 5, 2020, and the Company is in the process of remediating its interest rate swap hedging transactions with certain of its end user customers, (i.e., borrowers that have hedged their interest rate payment obligations) who have not already adhered to, or amended their legacy derivatives transactions consistent with, the Protocol. If the Company is not able to agree to appropriate LIBOR fallbacks with these customers, there will be uncertainty as to how to value and determine the Company's rights and obligations under legacy derivatives contracts. With respect to the Company's cleared interest rate derivatives that reference LIBOR, both the CME and LCH clearinghouses have adopted the same relevant SOFR benchmark fallbacks of the Supplement and Protocol which also became effective on January 25, 2021.

The Company has outstanding issuances, or acts as an administrative (or calculation) agent or in other capacities, across various maturities of securities referencing LIBOR in which the underlying contracts do not contemplate cessation or contemplate cessation but do so in a manner that may create other risks ("Tough Legacy Contracts"). Some of these contracts provide for selecting replacement rates in a manner that presents significant challenges or that gives the Company or another party discretion to select a rate or provide for determination of a reference rate. In March 2022, the United States Congress enacted the Adjustable Interest Rate (LIBOR) Act ("LIBOR Act") which provides both a statutory framework to replace USD LIBOR with a benchmark rate based on SOFR for Tough Legacy Contracts governed by U.S. law and a safe harbor provision for those entities selecting a SOFR-based rate identified by the Federal Reserve. Under the LIBOR Act, the Federal Reserve must adopt rules to, among other things, identify the applicable SOFR-based replacement rate. In December 2022, the Federal Reserve adopted rules, which identify different SOFR-based replacement rates for derivative contracts, for cash instruments such as floating-rate notes and preferred stock, for consumer loans, for certain government-sponsored enterprise contracts and for certain asset-backed securities. Notwithstanding this availability of statutory frameworks to address Tough Legacy Contracts, there will likely be continued uncertainty surrounding the transition as these frameworks have not been tested, and the finalized regulations from the Federal reserve have not been issued and their effectiveness and ultimate impact is not certain.

A substantial portion of the Company's on- and off-balance sheet financial instruments (many of which have terms that extend beyond 2023) are indexed to LIBOR, including interest rate swap agreements and other contracts used for hedging and non-hedging purposes, loans to commercial customers and consumers (including mortgage loans and other loans), and long-term borrowings. Uncertainty as to the impact of the discontinuation of LIBOR and the replacement of LIBOR with a SOFR-based index or any alternative index could result in pricing volatility, loss of market share in certain products, adverse tax or accounting impacts under certain circumstances, and compliance, legal and operational costs and risks.

The market's transition from LIBOR to an alternative reference rate will be complex and unpredictable, giving rise to a variety of risks, including operational risks, risks of value transfer between contract parties, the potential for customer disputes and litigation, as well as regulatory scrutiny.

*The Company's business and performance is vulnerable to the impact of volatility in debt and equity markets.*

As most of the Company's assets and liabilities are financial in nature, the Company's performance is sensitive to the performance of the financial markets. Turmoil and volatility in U.S. and global financial markets can be a major contributory factor to overall weak economic conditions, leading to some of the risks discussed herein, including the impaired ability of borrowers and other counterparties to meet obligations to the Company. Financial market volatility may:

- Affect the value or liquidity of the Company's on-balance sheet and off-balance sheet financial instruments.
- Affect the value of capitalized servicing assets.
- Affect M&T's ability to access capital markets to raise funds. Inability to access capital markets if needed, at cost effective rates, could adversely affect the Company's liquidity and results of operations.
- Affect the value of the assets that the Company manages or otherwise administers or services for others. Although the Company is not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related fee income and could result in decreased demand for the Company's services.
- Impact the nature, profitability or risk profile of the financial transactions in which the Company engages.

Volatility in the markets for real estate and other assets commonly securing financial products has been and may continue to be a significant contributor to overall volatility in financial markets. In addition, unfavorable or uncertain economic and market conditions can be caused by supply chain disruptions, the imposition of tariffs or other limitations on international trade and travel, as well as elevated inflation, which can result in market volatility, negatively impact client activity, and adversely affect the Company's financial condition and results of operations.

*The Company's regional concentrations expose it to adverse economic conditions in its primary retail banking office footprint.*

The Company's core banking business is largely concentrated within the Company's retail banking office network footprint, located principally in the Northeast and Mid-Atlantic regions. Therefore, the Company is, or in the future may be, particularly vulnerable to adverse changes in economic conditions in the Northeast and Mid-Atlantic regions. The credit quality of the Company's borrowers may deteriorate for a number of reasons that are outside the Company's control, including as a result of prevailing economic and market conditions and asset valuations. The trends and risks affecting borrower credit quality, particularly in the Northeast and Mid-Atlantic regions, have caused, and in the future may cause, the Company to experience impairment charges, which are reductions in the recoverable value of an asset, increased purchase demands, wherein customers make withdrawals with minimum notice, higher costs (e.g. servicing, foreclosure, property maintenance), additional write-downs and losses and a potential impact to engage in lending transactions based on a reduction of customer deposits, which could have a material adverse effect on the Company's business, financial condition and results of operations.

***Risks Relating to Compliance and the Regulatory Environment***

*The Company is subject to extensive government regulation and supervision and this regulatory environment can be and has been significantly impacted by financial regulatory reform initiatives.*

The Company is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect consumers, depositors and the financial system as a whole, not securities holders, including the holders of common stock. These regulations and supervisory guidance affect the Company's sale and lending practices, capital structure, capital distributions and dividend policy, investment practices, growth and expansionary activity, among other things. Failure to comply with laws, regulations or policies, or to meet supervisory expectations, could result in civil or criminal penalties, including monetary penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, and/or reputational damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. In this regard, government authorities, including the bank regulatory agencies, can pursue aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures and may also adversely affect the Company's ability to enter into certain transactions or engage in certain activities, or obtain necessary regulatory approvals in connection therewith. In general, the amounts paid by financial institutions in settlement of proceedings or investigations have increased substantially and are likely to remain elevated. In some cases, governmental authorities have required criminal pleas or admissions of wrongdoing as part of such settlements, which could have significant collateral consequences for a financial institution, including loss of customers, restrictions on the ability to access the capital markets, and the inability to operate certain businesses or offer certain products for a period of time. In addition, enforcement matters could impact the Company's supervisory and CRA ratings, which may in turn restrict or limit the Company's activities. A prior enforcement action also increases the risk that regulators and governmental authorities pursue formal enforcement actions in connection with the resolution of an inquiry or investigation, even if unrelated to the prior enforcement action.

Any new regulatory requirements, changes to existing requirements, or changes to interpretations of requirements could require changes to the Company's businesses, result in increased compliance costs and affect the profitability of such businesses. Additionally, such activity could affect the behaviors of third parties with which the Company deals in the ordinary course of business, such as rating agencies, insurance companies and investors. Heightened regulatory scrutiny, requirements or expectations could have significant effects on the Company, including through restrictions on growth or required remediation activities and associated resource requirements, and, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

There have been significant revisions to the laws and regulations applicable to the Company that have been enacted or proposed in recent years, and additional proposed changes are anticipated. Many of these and other rules to implement the changes have yet to be finalized, and the final timing, scope and impact of these changes to the regulatory framework applicable to financial institutions remain uncertain. For more information on the regulations to which the Company is subject and recent initiatives to reform financial institution regulation, see Part I, Item 1 — Business.

*The Company may be subject to more stringent capital and liquidity requirements.*

Bank holding companies, including M&T, are subject to capital and liquidity requirements and standards imposed as a result of the Dodd-Frank Act (as amended by EGRRCPA) and the U.S. Basel III-based capital rules. For additional information, see "Capital Requirements" under Part I, Item 1 — Business.

Regulators have implemented and may, from time to time, implement changes to these regulatory capital adequacy and liquidity requirements. If the Company fails to meet these minimum capital adequacy and liquidity requirements and other regulatory requirements, its business activities, including lending, and its ability to expand, either organically or through acquisitions, could be limited. It could also result in M&T being required to take steps to increase its regulatory capital that may be dilutive to shareholders or limit its ability to pay dividends or otherwise return capital to shareholders, or sell or refrain from acquiring assets. In addition, the liquidity-related provisions of the Federal Reserve's liquidity-related enhanced prudential supervision requirements may reduce the Company's ability to invest in other longer-term assets even if deemed more desirable from a balance sheet management perspective, which could adversely affect its net interest income and net interest margin.

The federal bank regulators have not yet released a proposal to implement the significant revisions of the Basel capital framework announced by the Basel Committee in December 2017, and the impact on the Company of these revisions will depend on the manner in which they are implemented in the U.S. with respect to firms such as M&T.

*M&T's ability to return capital to shareholders and to pay dividends on common stock may be adversely affected by market and other factors outside of its control and will depend, in part, on the results of supervisory stress tests administered by the Federal Reserve.*

Any decision by M&T to return capital to shareholders, whether through a common stock dividend or a common stock share repurchase program, requires the approval of M&T's Board of Directors and must comply with applicable capital regulations, including the maintenance of capital ratios exceeding specified minimum levels and applicable buffers.

For bank holding companies designated as Category IV institutions under the Tailoring Rules, including M&T, the Federal Reserve conducts biennial supervisory stress tests required under the Dodd-Frank Act whereby the BHC's financial position is tested under assumed severely adverse economic conditions. The results of those stress tests are incorporated in the determination of M&T's Stress Capital Buffer. As a general matter, if M&T is unable to maintain capital in excess of regulatory minimum levels inclusive of its Stress Capital Buffer, it would be subject to limitations on its ability to make capital distributions, including paying dividends and repurchasing stock. In June 2022, the Federal Reserve released the results of its most recent supervisory stress tests, and based on those results, on October 1, 2022, M&T's stress capital buffer of 4.7% became effective. The results of future supervisory stress tests are uncertain, and a more severe outcome may result in a higher Stress Capital Buffer and an increase in M&T's effective capital requirements. An increased Stress Capital Buffer may restrict M&T's ability to return capital to shareholders, including through paying dividends, entering into acquisitions or repurchasing its common stock, which in turn could negatively impact market and investor perceptions of M&T.

The Federal Reserve has in the past implemented, and may in the future implement, restrictions on share repurchase programs and common stock dividends at large bank holding companies such as M&T, including in response to adverse or uncertain economic conditions.

*If an orderly liquidation of a systemically important BHC or non-bank financial company were triggered, M&T could face assessments for the Orderly Liquidation Fund ("OLF").*

The Dodd-Frank Act created a mechanism, the OLF, for liquidation of systemically important bank holding companies and non-bank financial companies. The OLF is administered by the FDIC and is based on the FDIC's bank resolution model. The Secretary of the U.S. Treasury may trigger a liquidation under this authority after consultation with the President of the U.S. and after receiving a recommendation from the boards of the FDIC and the Federal Reserve upon a two-thirds vote. Liquidation proceedings will be funded by the OLF, which will borrow from the U.S. Treasury and impose risk-based assessments on covered financial companies. Risk-based assessments would be first made on entities that received more in the resolution than they would have received in the liquidation to the extent of such excess, and second, if necessary, on, among others, bank holding companies with total consolidated assets of $50 billion or more, such as M&T. Any such assessments may adversely affect the Company's business, financial condition or results of operations.

### *Credit Risk*

*Deteriorating credit quality could adversely impact the Company.*

As a lender, the Company is exposed to the risk that customers will be unable to repay their loans and other obligations in accordance with the terms of the relevant agreements, and that any collateral securing the loans and obligations may be insufficient to assure full repayment. Credit losses are inherent in the business of making loans and entering into other financial arrangements.

Factors that influence the Company's credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company's real estate loan portfolios. Factors that can influence the Company's credit loss experience include: (i) the impact of residential real estate values on loans to residential real estate builders and developers and other loans secured by residential real estate; (ii) the concentrations of commercial real estate loans in the Company's loan portfolio, including in the New York City area; (iii) the amount of commercial and industrial loans to businesses in areas of New York State outside of the New York City area and in central Pennsylvania that have historically experienced less economic growth and vitality than many other regions of the country; (iv) the repayment performance associated with first and second lien loans secured by residential real estate; and (v) the size of the Company's portfolio of loans to individual consumers, which historically have experienced higher net charge-offs as a percentage of loans outstanding than loans to other types of borrowers. The Company's credit risk and the performance of its lending portfolios may be affected by concentration in an industry, geography or asset type. As described further in this "Risk Factors" section, the Company's credit risks may be increased by the impacts of inflation, poor or recessionary economic conditions and financial market volatility. The COVID-19 pandemic created economic and financial disruptions that adversely affected, and may continue to adversely affect, customers.

Commercial real estate valuations can be highly subjective as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. Emerging and evolving factors such as the shift to work-from-home or hybrid-work arrangements, changing consumer preferences (including for online shopping), COVID-19-related restrictions and resulting changes in occupancy rates as a result of these and other trends can also impact such valuations over relatively short periods. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, governmental policy regarding housing and housing finance, and general economic conditions affecting consumers, as described above.

The Company maintains an allowance for credit losses which represents, in management's judgment, the amount of losses expected in the loan and lease portfolio. The allowance is determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. Management believes that the allowance for credit losses as of December 31, 2022 appropriately reflects expected credit losses in the loan and lease portfolio. However, there is no assurance that the allowance is sufficient to cover all credit losses that may occur.

*The Company may be adversely affected by the soundness of other financial institutions.*

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized or is liquidated at prices not sufficient to recover the full amount of the credit due to or derivative exposure of the Company. Any resulting losses could have a material adverse effect on the Company's financial condition and results of operations.

***Liquidity Risk***

*The Company must maintain adequate sources of funding and liquidity.*

The Company must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory requirements and supervisory expectations. The Company primarily relies on deposits to be a low cost and stable source of funding for the loans it makes and the operations of its business. Core customer deposits, which include noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and time deposits of $250,000 or less, have historically provided the Company with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, sources of liquidity include borrowings from securities dealers, various Federal Home Loan Banks and the Federal Reserve Bank of New York, as well as the debt and equity capital markets.

The Company's liquidity and ability to fund and operate the business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruptions and volatility or a lack of market or customer confidence in financial markets in general, which may result in a loss of customer deposits or outflows of cash or collateral and/or ability to access capital markets on favorable terms. Negative news about the Company or the financial services industry generally may reduce market or customer confidence in the Company, which could in turn materially adversely affect the Company's liquidity and funding. Such reputational damage may result in the loss of customer deposits, the inability to sell or securitize loans or other assets, and downgrades in one or more of the Company's credit ratings, and may also negatively affect the Company's ability to access the capital markets. A downgrade in the Company's credit ratings, which could result from general industry-wide or regulatory factors not solely related to the Company, could adversely affect the Company's ability to borrow funds, including by raising the cost of borrowings substantially, and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect M&T's ability to raise capital. Many of the above conditions and factors may be caused by events over which M&T has little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future.

Regulatory changes relating to liquidity and risk management may also negatively impact the Company's results of operations and competitive position. Various regulations have been adopted to impose more stringent liquidity requirements for large financial institutions, including the Company. These regulations address, among other matters, liquidity stress testing and minimum liquidity requirements. The application of certain of these regulations to banking organizations, such as the Company, have been modified, including in connection with the implementation of the tailoring rules in the EGRRCPA.

If the Company is unable to continue to fund assets through customer bank deposits or access funding sources on favorable terms or if the Company suffers an increase in borrowing costs or otherwise fails to manage liquidity effectively, the Company's liquidity, operating margins, financial condition and results of operations may be materially adversely affected. The Company may also need to raise additional capital and liquidity through the issuance of stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate common stock dividends or share repurchases to preserve capital and liquidity.

*If the Company is unable to maintain or grow its deposits, it may be subject to paying higher funding costs.*

The total amount that the Company pays for funding costs is dependent, in part, on the Company's ability to maintain or grow its deposits. If the Company is unable to sufficiently maintain or grow its deposits to meet liquidity objectives, it may be subject to paying higher funding costs. The Company competes with banks and other financial services companies for deposits. Recent increases in short-term interest rates have resulted in and may continue to result in more intense competition in deposit pricing. If competitors raise the rates they pay on deposits, the Company's funding costs may increase, either because the Company raises rates to avoid losing deposits or because the Company loses deposits and must rely on more expensive sources of funding. Customers may also move noninterest-bearing deposits to interest bearing accounts, increasing the cost of those deposits. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. The Company's bank customers could withdraw their money and put it in alternative investments, causing the Company to lose a lower cost source of funding. Higher funding costs could reduce the Company's net interest margin and net interest income.

*M&T relies on dividends from its subsidiaries for its liquidity.*

M&T is a separate and distinct legal entity from its subsidiaries. M&T typically receives substantially all of its revenue from subsidiary dividends. These dividends are M&T's principal source of funds to pay dividends on common and preferred stock, pay interest and principal on its debt, and fund purchases of its common stock. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that M&T's banking subsidiaries and certain non-bank subsidiaries may pay. Regulatory scrutiny of capital levels at bank holding companies and insured depository institution subsidiaries has increased in recent years and has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks, such as parent bank holding companies. See "Item 1 — Business, Supervision and Regulation of the Company, Distributions" for a discussion of regulatory and other restrictions on dividend declarations. Also, M&T's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of that subsidiary's creditors. Limitations on M&T's ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on its stock or interest and principal on its debt, and ability to fund purchases of its common stock.

***Strategic Risk***

*The financial services industry is highly competitive and creates competitive pressures that could adversely affect the Company's revenue and profitability.*

The financial services industry in which the Company operates is highly competitive. The Company competes not only with commercial and other banks and thrifts, but also with private credit funds, insurance companies, mutual funds, hedge funds, securities brokerage firms, financial technology companies and other companies offering financial services in the U.S., globally and over the Internet. Some of the Company's non-bank competitors are not subject to the same extensive regulations the Company is, and may have greater flexibility in competing for business. In particular, the activity and prominence of so-called marketplace lenders and other technological financial services companies has grown significantly in recent years and is expected to continue growing. The Company competes on the basis of several factors, including capital, access to capital, revenue generation, products, services, transaction execution, innovation, reputation and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms. These developments have and could continue to result in the Company's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. The Company has and may continue to experience pricing pressures as a result of these factors and as some of its competitors seek to increase market share.

Finally, technological change is influencing how individuals and firms conduct their financial affairs and is changing the delivery channels for financial services. Financial technology providers, who invest substantial resources in developing and designing new technology (in particular digital and mobile technology) are beginning to offer more traditional banking products (either directly or through bank partnerships) and may in the future be able to provide additional services by obtaining a bank-like charter, such as the OCC's fintech charter. In addition, the emergence, adoption and evolution of new technologies that do not require intermediation, including distributed ledgers such as digital assets and blockchain, as well as advances in robotic process automation, could significantly affect the competition for financial services. As a result, the Company has had and will likely continue to have to contend with a broader range of competitors including many that are not located within the geographic footprint of its banking office network. Further, along with other participants in the financial services industry, the Company frequently attempts to introduce new technology-driven products and services that are aimed at allowing the Company to better serve customers and to reduce costs. The Company may not be able to effectively implement new technology-driven products and services that allow it to remain competitive or be successful in marketing these products and services to its customers.

*Difficulties in obtaining regulatory approval for acquisitions and in combining the operations of acquired entities with the Company's own operations may prevent M&T from achieving the expected benefits from its acquisitions.*

M&T has expanded its business through past acquisitions and may do so in the future. The Company's ability to complete acquisitions is in many instances subject to regulatory approval, and the Company cannot be certain when or if, or on what terms and conditions, any required regulatory approvals would be granted. Any requisite approval could be delayed or not obtained at all, including due to, among other factors, an adverse development in either party's regulatory standing or in any other factors considered by regulators when granting such approval, including factors not known at the time of entering into the definitive agreement for the acquisition or submission of the related application for regulatory approval, and factors that may arise subsequently; governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political environment more generally.

In addition, inherent uncertainties exist when integrating the operations of an acquired entity. Acquiring other entities involves potential risks that could have a material adverse impact on the Company's business, financial condition and results of operations, including:

- Inability to fully achieve the Company's strategic objectives and planned operating efficiencies in an acquisition.
- Issues arising during transition and integration.
- Disruption of the Company's business and diversion of management's time and attention.
- Exposure to unknown or contingent liabilities of acquired institutions.
- Loss of key employees and customers of acquired institutions.
- Dilution in the ownership percentage of holders of M&T common stock.
- Payment of a premium over book and market values that may dilute the Company's tangible book value and earnings per common share in the short and long-term.
- Inability to realize the expected benefits of the acquisition due to lower financial results pertaining to the acquired entity (for example, the Company could experience higher credit losses, incur higher operating expenses or realize less revenue than originally anticipated related to an acquired entity).
- Changes in banking or tax laws or regulations that could impair or eliminate the expected benefits of merger and acquisition activities.

*M&T could suffer if it fails to attract and retain skilled personnel.*

M&T's success depends, in large part, on its ability to attract and retain key individuals and to have a diverse workforce. Competition for qualified and diverse candidates in the activities in which the Company engages and markets that the Company serves is significant, and the Company may not be able to hire candidates and retain them. Growth in the Company's business, including through acquisitions, may increase its need for additional qualified personnel. The Company is increasingly competing for personnel with financial technology providers and other less regulated entities who may not have the same limitations on compensation as the Company does. Recruiting and compensation costs may increase as a result of changes in the marketplace, which may increase costs and adversely impact the Company. The increase in remote and hybrid work arrangements and opportunities in regional, national and global labor markets has also increased competition for the Company to attract and retain skilled personnel. The Company's current or future approach to in-office and remote-work arrangements may not meet the needs or expectations of current or prospective employees or may not be perceived as favorable as compared with the arrangements offered by other companies, which could adversely affect the Company's ability to attract and retain employees. If the Company is not able to hire or retain highly skilled, qualified and diverse individuals, it may be unable to execute its business strategies and may suffer adverse consequences to its business, financial condition and results of operations.

The Company's compensation practices are subject to review and oversight by the Federal Reserve, the OCC, the FDIC and other regulators. The federal banking agencies have issued joint guidance on executive compensation designed to help ensure that a banking organization's incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act required those agencies, along with the SEC, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. If as a result of complying with such rules the Company is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if the compensation costs required to attract and retain employees become more significant, the Company's performance, including its competitive position, could be materially adversely affected.

***Operational Risk***

*The Company is subject to operational risk which could adversely affect the Company's business and reputation and create material legal and financial exposure.*

Like all businesses, the Company is subject to operational risk, which represents the risk of loss resulting from human error or misconduct, inadequate or failed internal processes and systems, and external events, including the risk of loss resulting from fraud by employees or persons outside the company, and breaches in data security. Operational risk also encompasses reputational risk and compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of noncompliance with contractual and other obligations. The Company is also exposed to operational risk through outsourcing arrangements, and the effect that changes in circumstances or capabilities of its outsourcing vendors can have on the Company's ability to continue to perform operational functions necessary to its business. Although the Company seeks to mitigate operational risk through a system of internal controls that are reviewed and updated, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to the Company's reputation or foregone business opportunities.

*The Company's information systems may experience interruptions or breaches in security, including due to events beyond the Company's control.*

The Company relies heavily on communications and information systems, including those of third-party service providers, to conduct its business. Any failure, interruption or breach in security of these systems could result in disruptions to its accounting, deposit, loan and other systems, and adversely affect the Company's customer relationships. Disruption of operating systems caused by events beyond the Company's control may include computer viruses, electrical or telecommunications outages, quality of vulnerability patches, cyber security attacks (including Distributed Denial of Service attacks, which occur when legitimate users are unable to access information systems, devices, or other network resources due to the actions of a malicious cyber threat actor), damage to property or physical assets, or events arising from political protests or terrorist acts. While the Company has policies and procedures designed to prevent or limit the effect of these possible events, there can be no assurance that any such failure, disruption, interruption or security breach will not occur or, if any does occur, that it can be sufficiently or timely remediated.

Information security risks for large financial institutions such as M&T have increased significantly in recent years in part because of the proliferation of new technologies, such as digital and mobile banking to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. There have been increasing efforts on the part of third parties, including through cyber security attacks, to breach data security at financial institutions or with respect to financial transactions. There have been numerous instances involving financial services and consumer-based companies reporting unauthorized access to and disclosure of client or customer information or the destruction or theft of corporate data, including by executive impersonation and third party vendors, or the freezing of operating systems and databases making them inaccessible or unusable. There have also been several highly publicized cases where hackers have requested "ransom" payments in exchange for not disclosing customer information or for restoring access to, or the usage of, operating systems and databases. Ransomware is a form of malicious software, known as "malware," designed to block access to, and often encrypt, computer systems or data. Once the victim's computer system or data is locked down and encrypted, rendering it essentially useless, the malicious cyber actor then extorts the victim by demanding a ransom payment in exchange for providing a method to decrypt it. The attacker may also copy the victim's data in the course of the attack and threaten to sell or publish the data if the ransom is not paid. Ransomware attacks can result in a loss of business functionality and of sensitive data.

As cyber security threats continue to evolve, the Company expects to continue to expend significant additional resources to modify or enhance its layers of defense or to investigate and remediate any information security vulnerabilities. The techniques used by cyber security criminals change frequently, may not be recognized until launched and can be initiated by a variety of actors, including terrorist organizations and hostile foreign governments. These techniques may include attempts to fraudulently induce employees, customers or others to disclose sensitive information in order to gain access to data or systems. These risks may increase as the use of mobile payment and other Internet-based applications expands.

Further, third parties with which the Company does business, as well as vendors and other third parties with which the Company's customers do business, can also be sources of information security risk to the Company, particularly where activities of customers are beyond the Company's security and control systems, such as through the use of the Internet, personal computers, tablets, smart phones and other mobile services. Risks relating to cyber attacks on vendors and other third parties, including supply chain attacks affecting software and information technology service providers, have been rising as such attacks become increasingly frequent and severe. Security breaches affecting the Company's customers, or systems breakdowns, failures, security breaches or employee misconduct affecting such other third parties, may require the Company to take steps to protect the integrity of its own systems or to safeguard confidential information of the Company or its customers, thereby increasing the Company's operational costs and adversely affecting its business. Additionally, successful cyber security attacks at other large financial institutions, whether or not the Company is impacted, could lead to a general loss of customer confidence in financial institutions that could negatively affect M&T, including harming the market perception of the effectiveness of the Company's security measures or the financial system in general which could result in reduced use of the Company's financial products. Though the Company has insurance against some cyber security risks and attacks, it may not be sufficient to offset the impact of a material loss event.

The Company, as well as third parties with which the Company does business, has expanded the use of cloud service providers, which could experience system breakdowns or failures, outages, downtime, cyber security-attacks, negative changes to financial condition, bankruptcy, or other adverse conditions, which could have a material adverse effect on the Company's business and reputation. For example, during 2021, there were a number of widely publicized cases of outages in connection with access to cloud service providers. Thus, increasing the amount of infrastructure that the Company or its vendors and service providers outsource to the cloud or to other parties may increase M&T's risk exposure. The failure to properly upgrade or maintain the computer systems could result in greater susceptibility to attacks, particularly in light of the greater frequency and severity of attacks in recent years, as well as the growing prevalence of supply chain attacks affecting software and information technology service providers. Failures related to upgrades and maintenance also increase risks related to unauthorized access and misuse, as well as the Company's ability to achieve its business continuity and resiliency objectives.

*The Company could incur higher costs, experience lower revenue, and suffer reputational damage in the event of the theft, loss or misuse of information, including due to a cyber security attack.*

Like other financial services firms, the systems, networks and devices of the Company, its customers, employees, service providers or other third parties with whom the Company interacts continue to be the subject of attempted unauthorized access, denial-of-service attacks, computer viruses, hacking, malware, ransomware, phishing or other forms of social engineering, and cyber security attacks designed to obtain confidential information, destroy data, disrupt or degrade service, eliminate access or cause other damage. These threats may arise from human error, fraud on the part of employees, insiders or third parties or may result from accidental technology failure or vulnerabilities of suppliers through supply chain attacks. Further, cyber security and information security risks for financial institutions have generally increased because of, among other things, the growth of new technologies, the use of the Internet and telecommunications technologies (including computers, smartphones, and other mobile devices outside the Company's systems) by customers to conduct financial transactions, and the increased sophistication and activities of organized crime, fraudsters, hackers, terrorists, activists, instrumentalities of foreign governments and other external parties.

Although the Company believes that a robust suite of authentication and layered security controls, data encryption and tokenization, threat intelligence, anti-malware defenses and vulnerability management tools exist, the failure of any of these controls could result in a failure to detect, mitigate or remediate these risks in a timely manner. Moreover, potential new regulations may require the Company to disclose information about a cybersecurity event before it has been resolved or fully investigated. Further, as the Company expands its mobile and digital capabilities, cyber security risks increase.

A disruption or breach, including as a result of a cyber security attack, or media reports of perceived security vulnerabilities at the Company or at third-party service providers could result in significant legal and financial exposure, regulatory intervention, remediation costs, damage to reputation or loss of confidence in the security of systems, products and services that could adversely affect the Company's business. Like other U.S. financial services providers, the Company continues to be targeted with evolving and adaptive cyber security threats from sophisticated third parties. Although the Company is not aware of any material losses relating to cyber security incidents, there can be no assurance that unauthorized access or cyber security incidents will not become known or occur or that the Company will not suffer such losses in the future.

*The Company is subject to laws and regulations relating to the privacy of the information of customers, clients, employees or others, and any failure to comply with these laws and regulations could expose the Company to liability and/or reputational damage*

The Company is also subject to laws and regulations relating to the privacy of the information of customers, clients, employees or others, and any failure to comply with these laws and regulations could expose the Company to liability and/or reputational damage. New privacy and data protection initiatives will impose additional operational burdens on the Company, may limit the Company's ability to pursue desirable business initiatives and increase the risks associated with any future use of customer data. Significant examples include the General Data Protection Regulation ("GDPR"), the UK GDPR, known as The Data Protection Act of 2018, and the California Consumer Privacy Act. Compliance with these and other laws and regulations may require changes to policies, procedures and technology for information security and segregation of data, which could, among other things, make the Company more vulnerable to operational failures, and to monetary penalties, litigation or regulatory enforcement actions for breach of such laws and regulations.

As privacy-related laws and regulations are implemented, they may also limit how companies like M&T can use personal data and impose obligations on companies in their management of such data. The time and resources needed for the Company to comply with such laws and regulations, as well as its potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase. The impacts will be greater to the extent requirements vary across jurisdictions.

*M&T relies on other companies to provide key components of the Company's business infrastructure.*

Third parties provide key components of the Company's business infrastructure such as banking services, processing, and Internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect the Company's ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect the Company's business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. The Company may not be insured against all types of losses as a result of third party failures and insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in the Company's business infrastructure could interrupt the operations or increase the costs of doing business.

Additionally, the Company is exposed to the risk that a service disruption at a common service provider to the Company's third-party service providers could impede their ability to provide services to the Company. Notwithstanding any attempts to diversify its reliance on third parties, the Company may not be able to effectively mitigate operational risks relating to its vendors' use of common service providers.

*The Company is or may become involved from time to time in suits, legal proceedings, information-gathering requests, investigations and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.*

Many aspects of the Company's business and operations involve substantial risk of legal liability. M&T and/or its subsidiaries have been named or threatened to be named as defendants in various lawsuits arising from its or its subsidiaries' business activities (and in some cases from the activities of companies M&T has acquired). In addition, from time to time, M&T is, or may become, the subject of governmental and self-regulatory agency information-gathering requests, reviews, investigations and proceedings and other forms of regulatory inquiry, including by bank and other regulatory agencies, the SEC and law enforcement authorities. The SEC has announced a policy of seeking admissions of liability in certain settled cases, which could adversely impact the defense of private litigation. M&T is also at risk with respect to its obligations to indemnify directors and officers of it and its subsidiaries in connection with certain legal matters as well as in situations where it has agreed to indemnify others for losses related to legal proceedings, including for litigation and governmental investigations and inquiries, such as in connection with the purchase or sale of a business or assets. The results of such proceedings could lead to significant civil or criminal penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way in which the Company conducts its business, or reputational harm.

Although the Company establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, the Company does not have accruals for all legal proceedings where it faces a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, the Company's ultimate losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies, which could adversely affect the Company's financial condition and results of operations.

***Business Risk***

*Changes in accounting standards could impact the Company's reported financial condition and results of operations.*

The accounting standard setters, including the Financial Accounting Standards Board ("FASB"), the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes can be difficult to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retroactively, which would result in the restating of the Company's prior period financial statements. Information about recently adopted and not as yet adopted accounting standards is included in note 27 of Notes to Financial Statements included in Part II, Item 8 — Financial Statements and Supplemental Data of this Form 10-K.

*The Company's reported financial condition and results of operations depend on management's selection of accounting methods and require management to make estimates about matters that are uncertain.*

Accounting policies and processes are fundamental to the Company's reported financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported amounts of assets or liabilities and financial results. Several of M&T's accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to generally accepted accounting principles, management is required to make certain assumptions and estimates in preparing the Company's financial statements. If assumptions or estimates underlying the Company's financial statements are incorrect, the Company may experience material losses.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. M&T has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding judgments and the estimates pertaining to these matters, M&T could be required to adjust accounting policies or restate prior period financial statements if those judgments and estimates prove to be incorrect. For additional information, see Part II, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Estimates" and Note 1, "Significant Accounting Policies," of Notes to Financial Statements in Part II, Item 8.

*The Company's models used for business planning purposes could perform poorly or provide inadequate information.*

The Company uses quantitative models to assist in measuring risks and estimating or predicting certain financial values, among other uses. The Company uses models throughout many of its business lines, relying on them, along with its judgement, for many decision making processes. Examples of areas where the Company uses models include determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting or estimating losses, assessing capital adequacy, and calculating economic and regulatory capital levels. The Company also uses models to estimate the value of financial instruments and balance sheet items. Models generally evaluate the performance of various factors under anticipated future conditions, relying on historical data to help build the model and in part on assumptions as to the future, often with respect to macro-economic conditions, in order to generate the output. The models used may not accurately account for all variables and may fail to predict outcomes accurately and/or may overstate or understate certain effects. Poorly designed, implemented, or managed models or misused models, including in the choice of relevant historical data or future-looking assumptions, present the risk that the Company's business decisions that consider information based on such models will be adversely affected due to inadequate or inaccurate information, which may damage the Company's reputation and adversely affect its reported financial condition and results of operations. Even if the underlying assumptions used in the Company's models are adequate, the models may be deficient due to errors in computer code, use of bad data during development or input into the model during model use, or the use of a model for a purpose outside the scope of the model's design. As a result, the Company's models may not fully capture or express the risks the Company faces, may suggest that the Company has sufficient capital when it may not, or may lead the Company to misjudge the business and economic environment in which it operates. If the models fail to produce reliable results on an ongoing basis, the Company may not make appropriate risk management, capital planning, or other business or financial decisions. Furthermore, strategies that the Company employs to manage and govern the risks associated with its use of models may not be effective or fully reliable, and as a result, the Company may realize losses or other lapses. Finally, information the Company provides to the public or to its regulators based on poorly designed, implemented, or managed models or misused models could be inaccurate or misleading. Some of the decisions that the Company's regulators make, including those related to capital distributions to M&T's stockholders, could be affected adversely due to their perception that the quality of the models used to generate the relevant information is insufficient.

*The Company is exposed to reputational risk.*

A negative public opinion of the Company and its business can result from any number of activities, including the Company's lending practices, corporate governance and regulatory compliance, acquisitions and actions taken by regulators or by community organizations in response to these activities. Significant harm to the Company's reputation could also arise as a result of regulatory or governmental actions, litigation, employee misconduct or the activities of customers, other participants in the financial services industry or the Company's contractual counterparties, such as service providers and vendors. A service disruption of the Company's technology platforms or an impact to the Company's branches could have a negative impact on a customer's access to banking services and harm the Company's reputation with customers. In particular, a cyber security event impacting the Company's or its customers' data could have a negative impact on the Company's reputation and customer confidence in the Company and its cyber security. Damage to the Company's reputation could also adversely affect its credit ratings and access to the capital markets.

Additionally, whereas negative public opinion once was primarily driven by adverse news coverage in traditional media, the increased use of social media platforms facilitates the rapid dissemination of information or misinformation, which magnifies the potential harm to the Company's reputation.

*The Company's framework for managing risks may not be effective.*

The Company's risk management framework is made up of various processes and strategies to manage its risk exposure. The framework to manage risk, including the framework's underlying assumptions, may not be effective under all conditions and circumstances. If the risk management framework proves ineffective, the Company could suffer unexpected losses and could be materially adversely affected.

The Company has established processes and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which it is subject, including liquidity risk, credit risk, market risk, interest rate risk, compliance risk, strategic risk, reputational risk, and operational risk related to its employees, systems and vendors, among others. There are inherent limitations to the Company's risk management strategies as there may exist, or develop in the future, risks that it has not appropriately anticipated or identified. In addition, the Company relies on both qualitative and quantitative factors, including models, to monitor, measure and analyze certain risks and to estimate certain financial values, which are subject to error. The Company must also develop and maintain a culture of risk management among its employees, as well as manage risks associated with third parties, and could fail to do so effectively. If the Company's risk management framework proves ineffective, the Company could incur litigation and negative regulatory consequences, and suffer unexpected losses that could affect its financial condition or results of operations.

*Pandemics, including COVID-19, acts of war or terrorism and other adverse external events could significantly impact the Company's business.*

Pandemics, including the COVID-19 pandemic, acts of war, military conflicts, including Russia's invasion of Ukraine, or terrorism and other adverse external events, including severe weather and other natural disasters, could have a significant impact on the Company's ability to conduct business. Such events could affect the stability of the Company's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. Although the Company has established disaster recovery plans and procedures, and monitors for significant environmental effects on its properties or its investments, the occurrence of any such event could have a material adverse effect on the Company.

For example, the COVID-19 pandemic created economic and financial disruptions that adversely affected, and may in the future adversely affect, the Company's business, financial condition, capital and results of operations. The extent to which the COVID-19 pandemic will in the future negatively affect the Company's business, financial condition, capital and results of operations will depend on highly uncertain and unpredictable developments, including the scope and duration of any surges in the pandemic, the emergence of new variants, the effectiveness and distribution of vaccines and other public health measures, the continued effectiveness of M&T's business continuity plans, the direct and indirect impact of the pandemic on the Company's employees, customers, clients, counterparties, vendors, service providers and other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic.

Depending on the impact of pandemics, such as the COVID-19 pandemic, military conflicts such as Russia's invasion of Ukraine, terrorism and other detrimental or destabilizing global and national events on general economic and market conditions, consumer and corporate spending and investment and borrowing patterns, there is a risk that adverse conditions could occur, including supply chain disruptions; higher inflation; decreased demand for the Company's products and services or those of its borrowers, which could increase credit risk; challenges related to maintaining sufficient qualified personnel due to labor shortages, talent attrition, employee illness, willingness to return to work; and disruptions to business operations at the Company and at counterparties, vendors and other service providers. Even after such events fully subside, the U.S. economy may experience a prolonged economic slowdown or recession, and M&T anticipates the Company's businesses would be materially and adversely affected by a prolonged economic slowdown or recession.

The escalation or continuation of the war between Russia and Ukraine or other hostilities could result in, among other things, further increased risk of cyber attacks, supply chain disruptions, higher inflation, lower consumer demand and increased volatility in commodity, currency and other financial markets.

To the extent that pandemics, including the COVID-19 pandemic, acts of war, including Russia's invasion of Ukraine, or terrorism and other detrimental external events adversely affect the Company's business, financial condition, liquidity, capital or results of operations, such factors may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

*The Company's assets, communities, operations, reputation and customers could be adversely affected by the impacts of climate risk.*

The Company operates in regions where its businesses and the activities of its customers could be negatively impacted by climate risk. This includes the physical risks resulting from chronic shifts in climate, such as rising average global temperatures, rising sea levels and acute climate events, such as an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes and tornados. Such chronic shifts and events could damage or otherwise impact the value or productivity of customers' assets and disrupt the Company's operations and the operations of customers or third parties on which the Company relies. They could also result in market volatility, negatively impact the Company's customers' ability to repay outstanding loans, and damage or deteriorate the value of collateral. Over time such risks may result in both increasing premiums for and reduced availability of insurance and have a broader impact on the economy.

Further, climate risk may manifest from efforts to transition to a low-carbon economy. Transition risks may arise from changes in consumer and business preferences, legislation, regulation, policy, and technological advancement associated with the changes necessary to limit climate change. Such risks may result in increased expenses or otherwise adversely impact the Company and its customers, including the ability of customers to repay outstanding loans. The Company could experience increased expenses resulting from climate-related strategic planning and market changes, as well as litigation and reputational harm as a result of negative public sentiment, regulatory scrutiny and reduced investor and stakeholder confidence due to its climate change strategy and responses. For example, the Company's reputation may be damaged and its financial condition could suffer as a result of the ineffective identification, monitoring or management of risks relating to providing financial services to certain industries or projects that are sensitive to a transition to a lower carbon economy, as well as any decisions the Company makes to continue to conduct or change its activities in response to considerations relating to climate change.

Ongoing legislative or regulatory uncertainties and changes regarding appropriate climate risk management, practices and disclosures, such as the climate-related disclosure rules proposed by the SEC in 2022, may also result in higher regulatory, compliance and other expenses. In addition, the expectations of federal and state banking regulators, investors and other stakeholders are continuously evolving and may require financial institutions including the Company, to adhere to increased requirements and expectations regarding the disclosure and management of their climate risks and related lending, investment, operations and advisory activities.

Discussions of the specific risks outlined above and other risks facing the Company are included within this Annual Report on Form 10-K in Part I, Item 1 "Business," and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." Furthermore, in Part II, Item 7 under the heading "Forward-Looking Statements" is included a description of certain risks, uncertainties and assumptions identified by management that are difficult to predict and that could materially affect the Company's financial condition and results of operations, as well as the value of the Company's financial instruments in general, and M&T common stock, in particular.

In addition, the market price of M&T common stock may fluctuate significantly in response to a number of other factors, including changes in securities analysts' estimates of financial performance, volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies and changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies.

### Item 1B. *Unresolved Staff Comments.*

None.

### Item 2. *Properties.*

Both M&T and M&T Bank maintain their executive offices at One M&T Plaza in Buffalo, New York. This twenty-one story headquarters building, containing approximately 300,000 rentable square feet of space, is owned by M&T Bank. M&T, M&T Bank and their subsidiaries occupy 100% of the building. At December 31, 2022, the cost of this property (including improvements subsequent to the initial construction), net of accumulated depreciation, was $25.9 million.

M&T Bank owns and occupies an additional facility in Buffalo, New York (known as M&T Center) with approximately 395,000 rentable square feet of space. At December 31, 2022, the cost of this building (including improvements subsequent to acquisition), net of accumulated depreciation, was $11.9 million.

M&T Bank also owns and occupies three separate facilities in the Buffalo area which support certain back-office and operations functions of the Company. The total square footage of these facilities approximates 290,000 square feet and their combined cost (including improvements subsequent to acquisition), net of accumulated depreciation, was $24.6 million at December 31, 2022.

M&T Bank owns facilities in Wilmington, Delaware, with approximately 340,000 (known as Wilmington Center) and 295,000 (known as Wilmington Plaza) rentable square feet of space, respectively. M&T Bank occupies approximately 100% of Wilmington Center and approximately 23% of Wilmington Plaza. At December 31, 2022, the cost of these buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $39.1 million and $14.5 million, respectively.

M&T Bank also owns facilities in Millsboro, Delaware and Harrisburg, Pennsylvania with approximately 325,000 and 220,000 rentable square feet of space, respectively. M&T Bank occupies 100% and approximately 29% of those facilities, respectively. At December 31, 2022, the cost of those buildings (including improvements subsequent to acquisition), net of accumulated depreciation, was $15.9 million and $8.0 million, respectively.

The Company obtained facilities in connection with the People's United acquisition, including a building in Bridgeport, Connecticut, (known as Bridgeport Center) with approximately 450,000 rentable square feet of space. The Company occupies approximately 89% of that facility. At December 31, 2022, the cost of that building (including improvements subsequent to acquisition), net of accumulated depreciation, was $35.7 million.

M&T owns many other properties none which have more than 100,000 square feet of space. The Company also leases office space and other facilities to support its business operations. The cost and accumulated depreciation and amortization of the Company's premises and equipment and information regarding the Company's lease arrangements is detailed in note 6 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data."

Of the 1,010 domestic banking office locations of M&T's subsidiary banks at December 31, 2022, 366 are owned and 644 are leased.

## Item 3. *Legal Proceedings.*

M&T and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings and other matters in which claims for monetary damages are asserted. On an on-going basis management, after consultation with legal counsel, assesses the Company's liabilities and contingencies in connection with such proceedings. For those matters where it is probable that the Company will incur losses and the amounts of the losses can be reasonably estimated, the Company records an expense and corresponding liability in its consolidated financial statements. To the extent the pending or threatened litigation could result in exposure in excess of that liability, the amount of such excess is not currently estimable. Although not considered probable, the range of reasonably possible losses for such matters in the aggregate, beyond the existing recorded liability, was between $0 and $25 million as of December 31, 2022. Although the Company does not believe that the outcome of pending legal matters will be material to the Company's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future.

## Item 4. *Mine Safety Disclosures.*

Not applicable.

## Executive Officers of the Registrant

Information concerning M&T's executive officers is presented below. The year the officer was first appointed to the indicated position with M&T or its subsidiaries is shown parenthetically. In the case of each entity noted below, officers' terms run until the first meeting of the board of directors after such entity's annual meeting, which in the case of M&T takes place immediately following the Annual Meeting of Shareholders, and until their successors are elected and qualified.

René F. Jones, age 58, is chief executive officer, chairman of the board and a director of M&T and M&T Bank (2017). Previously, he was a senior executive vice president of M&T and a vice chairman of M&T Bank with responsibility for the Company's Wealth and Institutional Services Division, Treasury Division, and Mortgage and Consumer Lending Divisions. Mr. Jones had also served as chairman of the board and a director of Wilmington Trust Investment Advisors, a director of M&T Insurance Agency, chief financial officer of M&T, M&T Bank and Wilmington Trust, N.A. and held a number of management positions within M&T Bank's Finance Division since 1992.

Richard S. Gold, age 62, is president and chief operating officer of M&T (2017) and president, chief operating officer and a director of M&T Bank (2017). Mr. Gold oversees the Consumer Banking, Business Banking, Legal and Human Resources Divisions. Previously, he was a senior executive vice president, chief risk officer and director of M&T and was a vice chairman and chief risk officer of M&T Bank. Mr. Gold had been responsible for overseeing the Company's governance and strategy for risk management, as well as relationships with key regulators and supervisory agencies. He is a senior executive vice president (2021) of Wilmington Trust, N.A. and Wilmington Trust Company. Mr. Gold had served as chairman, president and chief executive officer of Wilmington Trust, N.A., as a senior vice president of M&T Bank from 2000 to 2006 and has held a number of management positions since he began his career with M&T Bank in 1989. In June 2022 Mr. Gold announced his intention to retire effective after the first quarter of 2023, and his plans to remain a director of M&T Bank.

Kevin J. Pearson, age 61, is vice chairman (2020) of M&T and is vice chairman (2014) and a director (2018) of M&T Bank. Mr. Pearson has oversight of the Commercial Banking, Technology and Banking Operations, and Wealth and Institutional Services Divisions. Previously, Mr. Pearson served as a director of M&T, chairman of the board of Wilmington Trust Company and chairman of the board of Wilmington Trust, N.A. He also previously served as a senior executive vice president of M&T and M&T Bank and has held a number of management positions since he began his career with M&T Bank in 1989. Mr. Pearson is a director (2018) of Wilmington Trust Company, WT Investment Advisors, Wilmington Funds Management, and WTIM. He is a director (2014) of Wilmington Trust, N.A. and a director (2022) of PUA.

Robert J. Bojdak, age 67, is a senior executive vice president and chief credit officer (2004) of M&T and M&T Bank where he is responsible for managing the overall risk involving M&T Bank's loan portfolio, monitoring portfolio metrics and workout activities. He is a senior executive vice president (2004) of Wilmington Trust, N.A. and a senior executive vice president (2020) of Wilmington Trust Company. Mr. Bojdak joined M&T Bank in 2002 and previously served as senior vice president and credit deputy for M&T Bank and as a director of Wilmington Trust, N.A.

Peter G. D'Arcy, age 49, is a senior executive vice president (2022) of M&T and M&T Bank and is the head of Commercial Banking. In his current role, Mr. D'Arcy is responsible for directing strategic growth and business line development activities across M&T's footprint for commercial clients. He is a director and chairman (2022) of M&T Realty Capital. Previously, Mr. D'Arcy served as an Area Executive, was co-head of M&T Bank's Senior Loan Committee, and supervised M&T Bank's commercial real estate segment, Capital Markets and Corporate and Institutional Banking Divisions. He began his career with M&T Bank in 1995.

Christopher E. Kay, age 57, is a senior executive vice president (2018) of M&T and M&T Bank, and is responsible for all aspects of Consumer Banking, including the Mortgage, Consumer Lending and Retail businesses. He is also responsible for Business Banking, Customer Experience, Digital, Strategy and Transformation, Marketing and Enterprise Platforms. Prior to joining M&T in 2018, Mr. Kay served as chief innovation officer at Humana from 2014 to 2018 and as managing director of Citi Ventures from 2007 to 2013.

Darren J. King, age 53, is a senior executive vice president (2010) and chief financial officer (2016) of M&T and senior executive vice president (2009) and chief financial officer (2016) of M&T Bank. Mr. King has responsibility for the overall financial management of the Company and oversees the Finance and Treasury Divisions. Prior to his current role, Mr. King was the Retail Banking executive with responsibility for overseeing Business Banking, Consumer Deposits, Consumer Lending and M&T Bank's Marketing and Communications team. Mr. King previously served as senior vice president of M&T Bank and has held a number of management positions within M&T Bank since 2000. Mr. King is a senior executive vice president (2009) and chief financial officer (2016) of Wilmington Trust, N.A.

Doris P. Meister, age 68, is a senior executive vice president (2016) of M&T and M&T Bank and is responsible for overseeing the Company's wealth management business, including Wilmington Trust Wealth Management, M&T Securities and WT Investment Advisors. Ms. Meister is the chair of the board, president and chief executive officer (2022) and a director (2016) of Wilmington Trust, N.A. and Wilmington Trust Company, and the chair of the board, chief executive officer and a director (2017) of WT Investment Advisors. She is a director (2017), chair of the board and chief executive officer (2018) of Wilmington Funds Management and WTIM. Ms. Meister is a director, chair of the board and chief executive officer (2022) of PUA. Ms. Meister joined Wilmington Trust N.A. in 2016 and has over four decades of financial and executive management experience.

Laura P. O'Hara, age 63, is a senior executive vice president (2020) and chief legal officer (2017) of M&T and M&T Bank. In this role, she oversees all of the Company's legal affairs, as well as the Office of the Corporate Secretary. Ms. O'Hara is a senior executive vice president (2020) and chief legal officer (2018) of Wilmington Trust, N.A., and senior executive vice president and chief legal officer (2020) of Wilmington Trust Company. She has almost 40 years of litigation, regulatory compliance and risk management experience, including time spent at Santander Bank, where she served as executive vice president and general counsel from 2015 until she joined M&T in 2017.

Michael J. Todaro, age 61, is a senior executive vice president (2015) and chief risk officer (2021) of M&T and M&T Bank where he is responsible for overseeing the Company's governance and strategy for risk management as well as relationships with the Company's regulators and supervisory agencies. He is a senior executive vice president (2015) and chief risk officer (2021) of Wilmington Trust, N.A., and is a senior executive vice president (2021) of Wilmington Trust Company. Mr. Todaro began his career with M&T in 1995, and previously served as senior vice president of M&T Bank and held a number of management positions within M&T Bank's Mortgage, Consumer Lending and Customer Asset Management Divisions. Most recently he was responsible for Enterprise Transformation activities.

Michele D. Trolli, age 61, is a senior executive vice president (2005) and head of corporate operations and enterprise initiatives (2018) of M&T and M&T Bank. Previously, she was chief information officer of M&T and M&T Bank. Ms. Trolli has led a wide range of the Company's Banking Operations, which includes Banking Services, Corporate Services, Business Continuity and Enterprise Transformation and Change Management and overseeing the Environmental, Social and Governance ("ESG") initiative. In December 2022 Ms. Trolli announced her plans to retire from M&T Bank effective in March of 2023.

Julianne Urban, age 50, is a senior executive vice president (2020) and chief auditor (2017) of M&T and M&T Bank. She is responsible for the audit division's strategic development and execution of assurance services. During her tenure, she has served as audit manager and audit director responsible for examining various business lines including Commercial Banking, Consumer Banking, Credit, Finance, Mortgage, Operations, Regulatory, Retail, Risk Management, and Treasury. Ms. Urban is a senior executive vice president (2020) and chief auditor (2018) of Wilmington Trust, N.A. and a senior executive vice president (2020) and chief auditor (2017) of Wilmington Trust Company.

D. Scott N. Warman, age 57, is a senior executive vice president (2009) and treasurer (2008) of M&T and M&T Bank. He is responsible for managing the Company's Treasury Division, including asset/liability management, funding, investment and derivative portfolio management, capital markets foreign exchange trading and sales. Mr. Warman previously served as senior vice president of M&T Bank and has held a number of management positions within M&T Bank since 1995. He is a senior executive vice president and treasurer of Wilmington Trust, N.A. (2008) and is a senior executive vice president and treasurer of Wilmington Trust Company (2012).

Jennifer Warren, age 58, is a senior executive vice president (2022) of M&T and M&T Bank. Ms. Warren is responsible for managing administrative and business development functions of Institutional Client Services within the Wealth and Institutional Services Division. She is a senior executive vice president and director (2022) of Wilmington Trust, N.A. and Wilmington Trust Company. Ms. Warren is a director (2022) of Wilmington Funds Management, WTIM and PUA. Prior to joining the Company, Ms. Warren was chief executive officer of Issuer Services, North America for Computershare from 2018 to 2021. Ms. Warren previously served as head of the U.S. region and president and chief executive officer of CIBC World Markets Corp., where she worked for nearly 12 years.

Tracy S. Woodrow, age 49, is a senior executive vice president (2020), chief human resources officer (2020) and chief administrative officer (2023) of M&T and M&T Bank. Ms. Woodrow is responsible for managing the Company's Human Resources, Banking Services and Corporate Services Divisions, and leading the ESG initiative. She is a senior executive vice president (2015) of Wilmington Trust, N.A. and Wilmington Trust Company. Ms. Woodrow previously served as the Bank Secrecy Act / Anti-Money Laundering / Office of Foreign Assets Control Officer for M&T, M&T Bank and Wilmington Trust, N.A. upon joining M&T Bank in 2013.

# PART II

**Item 5.** ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

M&T's common stock is traded under the symbol MTB on the New York Stock Exchange. See cross-reference sheet for disclosures incorporated elsewhere in this Annual Report on Form 10-K for approximate number of common shareholders at year-end, frequency and amounts of dividends on common stock and restrictions on the payment of dividends.

During the fourth quarter of 2022, M&T did not issue any shares of its common stock that were not registered under the Securities Act of 1933.

## Equity Compensation Plan Information

The following table provides information as of December 31, 2022 with respect to shares of common stock that may be issued under M&T's existing equity compensation plans. M&T's existing equity compensation plans include the M&T Bank Corporation 2019 Equity Incentive Compensation Plan, which has been previously approved by shareholders and the M&T Bank Corporation Deferred Bonus Plan, which did not require shareholder approval.

The table does not include information with respect to shares of common stock subject to outstanding options and rights assumed by M&T in connection with mergers and acquisitions of the companies that originally granted those options and rights. Footnote (1) to the table sets forth the total number of shares of common stock issuable upon the exercise of such assumed options and rights as of December 31, 2022, and their weighted-average exercise price.

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options or Rights | Weighted-Average Exercise Price of Outstanding Options or Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) |
|---|---|---|---|
| | (A) | (B) | (C) |
| Equity compensation plans approved by security holders | 729,771 | $ 164.12 | 1,650,696 |
| Equity compensation plans not approved by security holders | 11,725 | 80.46 | — |
| Total | 741,496 | $ 162.79 | 1,650,696 |

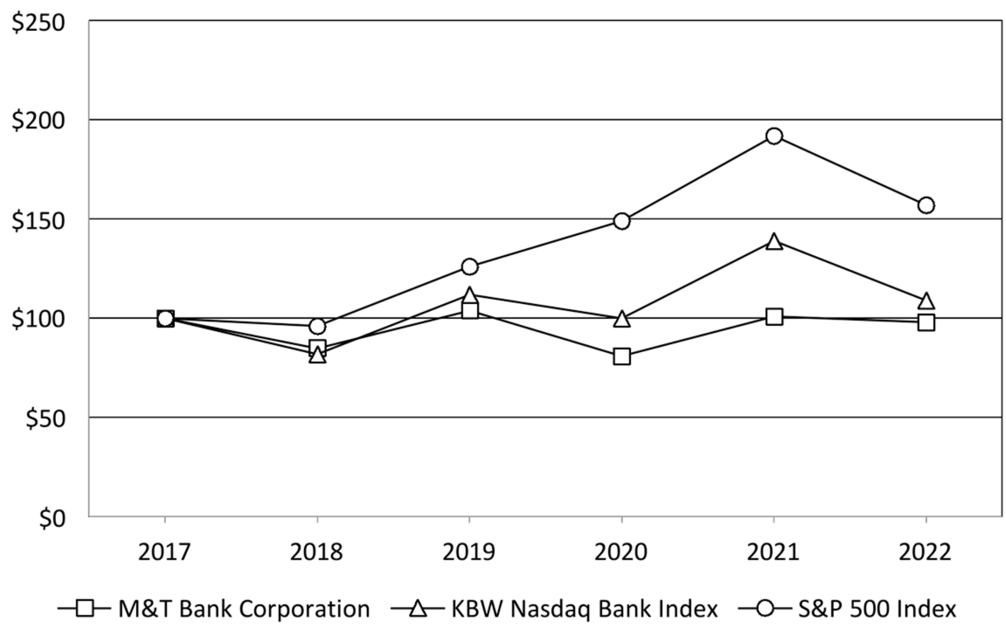
*(1) As of December 31, 2022, a total of 1,612,597 shares of M&T common stock were issuable upon exercise of outstanding options or rights assumed by M&T in connection with merger and acquisition transactions. The weighted-average exercise price of those outstanding options or rights is $139.36 per common share.*

## Deferred Bonus Plan

M&T maintains a deferred bonus plan which was frozen effective January 1, 2010 and did not allow any additional deferrals after that date. Prior to January 1, 2010, the plan allowed eligible officers of M&T and its subsidiaries to elect to defer all or a portion of their annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. At the time of the deferral election, participants also elected the timing of distributions from the plan. Such distributions are payable in cash, with the exception of balances allocated to M&T common stock which are distributable in the form of shares of common stock.

**Performance Graph**
The following graph contains a comparison of the cumulative shareholder return on M&T common stock against the cumulative total returns of the KBW Nasdaq Bank Index, compiled by Keefe, Bruyette & Woods, Inc., and the S&P 500 Index, compiled by Standard & Poor's Corporation, for the five-year period beginning on December 31, 2017 and ending on December 31, 2022. The KBW Nasdaq Bank Index is a modified market capitalization weighted index consisting of 25 banking stocks representing leading large U.S. national money centers, regional banks and thrift institutions.

**Comparison of Five-Year Cumulative Return***




**Shareholder Value at Year End***

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| M&T Bank Corporation | 100 | 85 | 104 | 81 | 101 | 98 |
| KBW Nasdaq Bank Index | 100 | 82 | 112 | 100 | 139 | 109 |
| S&P 500 Index | 100 | 96 | 126 | 149 | 192 | 157 |

** Assumes a $100 investment on December 31, 2017 and reinvestment of all dividends.*

In accordance with and to the extent permitted by applicable law or regulation, the information set forth above under the heading "Performance Graph" shall not be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act and shall not be deemed to be "soliciting material" or to be "filed" with the SEC under the Securities Act or the Exchange Act.

**Issuer Purchases of Equity Securities**

During the fourth quarter of 2022, M&T purchased shares of its common stock as follows:

| | Issuer Purchases of Equity Securities | | | |
|---|---|---|---|---|
| Period | (a) Total Number of Shares (or Units) Purchased (1) | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs (2) |
| October 1 - October 31, 2022 | 211,886 | $ 169.42 | 200,000 | $ 2,366,318,142 |
| November 1 - November 30, 2022 | 2,125,262 | 167.80 | 2,125,000 | 2,009,747,682 |
| December 1 - December 31, 2022 | 1,340,649 | 156.55 | 1,339,887 | 1,800,000,226 |
| Total | 3,677,797 | $ 163.79 | 3,664,887 | |

(1) *The total number of shares purchased during the periods indicated includes shares purchased as part of publicly announced programs and shares deemed to have been received from employees who exercised stock options by attesting to previously acquired common shares in satisfaction of the exercise price or shares received from employees upon the vesting of restricted stock awards in satisfaction of applicable tax withholding obligations, as is permitted under M&T's stock-based compensation plans.*

(2) *In July 2022, M&T's Board of Directors authorized a program under which $3.0 billion of common shares may be repurchased with the exact number, timing, price and terms of such repurchases to be determined at the discretion of management and subject to all regulatory limitations. That authorization replaces the previous program.*

## Item 6. *Selected Financial Data* [Reserved].

## Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**Corporate Profile and Significant Developments**

M&T Bank Corporation ("M&T") is a bank holding company headquartered in Buffalo, New York with consolidated assets of $200.7 billion at December 31, 2022. The consolidated financial information presented herein reflects M&T and all of its subsidiaries, which are referred to collectively as "the Company." M&T's wholly owned bank subsidiaries are Manufacturers and Traders Trust Company ("M&T Bank") and Wilmington Trust, National Association ("Wilmington Trust, N.A."). Among other subsidiaries of M&T is M&T Securities, Inc. which provides institutional brokerage and securities services and had total assets of $49 million at December 31, 2022.

M&T Bank, with total assets of $200.3 billion at December 31, 2022, is a New York-chartered commercial bank with 1,010 domestic banking offices in New York State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Massachusetts, Maine, Vermont, New Hampshire, Virginia, West Virginia, and the District of Columbia, and a full-service commercial banking office in Ontario, Canada. M&T Bank and its subsidiaries offer a broad range of financial services to a diverse base of consumers, businesses, professional clients, governmental entities and financial institutions located in their markets. M&T Bank lends to consumers residing in the states noted above and to small and medium-size businesses based in those areas, although loans are also originated through offices in other states and in Ontario, Canada. Certain lending activities are also conducted in other states through various subsidiaries. Trust and other fiduciary services are offered by M&T Bank and through its wholly owned subsidiary, Wilmington Trust Company. Other subsidiaries of M&T Bank include M&T Realty Capital Corporation, a multifamily commercial mortgage lender; Wilmington Trust Investment

Advisors, Inc., which serves as an investment advisor to the Wilmington Funds, a family of proprietary mutual funds, and other funds and institutional clients; and entities obtained in the People's United acquisition including LEAF Commercial Capital, Inc., M&T Capital and Leasing Corp. (formerly known as People's Capital and Leasing Corp.) and M&T Equipment Finance Corp. (formerly known as People's United Equipment Finance Corp.) that provide equipment leasing and financing services.

Wilmington Trust, N.A. is a national bank with total assets of $692 million at December 31, 2022. Wilmington Trust, N.A. and its subsidiaries offer various trust and wealth management services.

On April 1, 2022, M&T completed the acquisition of People’s United Financial, Inc. (“People’s United”). Through subsidiaries, People's United provided commercial banking, retail banking and wealth management services to individual, corporate and municipal customers through a network of branches located in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine. Following the merger, People's United Bank, National Association, a national banking association and a wholly owned subsidiary of People's United, merged with and into M&T Bank with M&T Bank as the surviving entity. The results of operations acquired from People's United have been included in the Company's financial results since April 1, 2022.

In connection with the acquisition of People's United, M&T issued 50,325,004 common shares on April 1, 2022. Pursuant to the terms of the merger agreement, People’s United shareholders received consideration valued at .118 of an M&T common share in exchange for each common share of People’s United. The purchase price totaled approximately $8.4 billion (with the price based on M&T’s closing price of $164.66 per share as of April 1, 2022). Additionally, People’s United outstanding preferred stock was converted into new shares of Series H preferred stock of M&T.

The People's United transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date. M&T preliminarily recorded assets acquired of $64.2 billion, including $35.8 billion of loans and leases and $11.6 billion of investment securities, and liabilities assumed totaling $55.5 billion, including $53.0 billion of deposits. The transaction added $8.4 billion to M&T's common shareholders' equity and $261 million to preferred equity. In connection with the acquisition the Company recorded $3.9 billion of goodwill and $261 million of core deposit and other intangible assets. The acquisition of People's United formed a banking franchise with approximately $200 billion in assets serving communities in the Northeast and Mid-Atlantic from Maine to Virginia, including Washington D.C.

Net acquisition and integration-related expenses (included herein as merger-related expenses) associated with the People's United acquisition totaled $432 million after tax-effect, or $2.63 of diluted earnings per common share in 2022, and $34 million after tax-effect, or $0.25 of diluted earnings per common share in 2021. M&T completed the transfer of most financial records of People’s United to M&T’s core operating systems in the third quarter of 2022. The Company does not expect any People's United merger-related expenses to be material during 2023.

On September 29, 2022 M&T Bank announced it had entered into a definitive agreement to sell M&T Insurance Agency, Inc. ("MTIA"), a wholly owned insurance agency subsidiary of M&T Bank to Arthur J. Gallagher & Co. The transaction was completed on October 31, 2022 and resulted in a pre-tax gain of $136 million. On December 19, 2022 Wilmington Trust, N.A. announced it had entered into an agreement to sell its Collective Investment Trust ("CIT") business to a private equity firm. That sale is expected to close in the first half of 2023 and result in recognition of a gain at that time.

**Critical Accounting Estimates**

The Company’s significant accounting policies conform with generally accepted accounting principles (“GAAP”) and are described in note 1 of Notes to Financial Statements. In applying those accounting policies, management of the Company is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. Certain of the critical accounting estimates are more dependent on such judgment and in some cases may contribute to volatility in the Company's reported financial performance should the assumptions and estimates used change over time due to changes in circumstances. The more significant areas in which management of the Company applies critical assumptions and estimates include the following:

- Accounting for credit losses — Effective January 1, 2020 the Company adopted amended accounting guidance that impacts how the allowance for credit losses is determined. Under that accounting guidance, the allowance for credit losses represents a valuation account that is deducted from the amortized cost basis of certain financial assets, including loans and leases, to present the net amount expected to be collected at the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. In estimating expected losses in the loan and lease portfolio, borrower-specific financial data and macro-economic assumptions are utilized to project losses over a reasonable and supportable forecast period. For certain loan pools that share similar risk characteristics, the Company utilizes statistically developed models to estimate amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers' abilities to repay obligations. Such models consider historical correlations of credit losses with various macroeconomic assumptions including unemployment, gross domestic product and real estate prices. These forecasts may be adjusted for inherent limitations or biases of the models. Subsequent to the forecast period, the Company utilizes longer-term historical loss experience to estimate losses over the remaining contractual life of the loans. Changes in the circumstances considered when determining management's estimates and assumptions could result in changes in those estimates and assumptions, which could result in adjustment of the allowance for credit losses in future periods. A discussion of facts and circumstances considered by management in determining the allowance for credit losses is included herein under the heading "Provision for Credit Losses" and in note 5 of Notes to Financial Statements. Prior to 2020, the allowance for credit losses represented the amount that in management's judgment reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. The estimation of the allowance for credit losses prior to 2020 did not consider reasonable and supportable forecasts that could have affected the collectability of the reported amounts.
- Valuation methodologies — Management of the Company applies various valuation methodologies to assets and liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as investment securities and residential real estate loans held for sale and related commitments. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans, deposits, borrowings, goodwill, core deposit and other intangible assets, other assets and liabilities obtained or assumed in business combinations, capitalized servicing assets, pension and other postretirement benefit obligations, estimated residual values of property associated with leases, and certain derivative and other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company's results of operations, financial condition or disclosures of fair value information. In addition to valuation, the Company must assess whether there are any declines in value below the carrying value of assets that require recognition of a loss in the consolidated statement of income. Examples include certain investments, capitalized servicing assets, goodwill and core deposit and other intangible assets, among others. Specific assumptions and estimates

utilized by management are discussed in detail herein in management's discussion and analysis of financial condition and results of operations and in notes 1, 3, 4, 7, 8, 13, 19, 20 and 21 of Notes to Financial Statements.

- Commitments, contingencies and off-balance sheet arrangements — Information regarding the Company's commitments and contingencies, including guarantees and contingent liabilities arising from litigation, and their potential effects on the Company's results of operations is included in note 22 of Notes to Financial Statements. In addition, the Company is routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should tax laws change or the tax authorities determine that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. Information regarding the Company's income taxes is presented in note 14 of Notes to Financial Statements. The recognition or de-recognition in the Company's consolidated financial statements of assets and liabilities held by so-called variable interest entities is subject to the interpretation and application of complex accounting pronouncements or interpretations that require management to estimate and assess the relative significance of the Company's financial interests in those entities and the degree to which the Company can influence the most important activities of the entities. Information relating to the Company's involvement in such entities and the accounting treatment afforded each such involvement is included in note 20 of Notes to Financial Statements.

**Overview**

During 2022 the Federal Reserve took steps to address rising inflation, including several increases in the target Federal funds rate totaling 4.25%. Those actions have led to an expansion of the Company's net interest margin, or taxable-equivalent net interest income expressed as a percentage of average earning assets. A higher level of earning assets associated with the People's United acquisition and the expanded net interest margin have increased taxable-equivalent net interest income in 2022 as compared with 2021 and 2020. The Company's estimates of expected credit losses at December 31, 2022 reflected risks including inflation, a projected rise in unemployment, reduction of economic growth projections, decreasing residential real estate values as compared with December 31, 2021 and continued concerns about commercial real estate values in the hospitality and office building sectors. The Company recognized a $136 million gain on the sale of MTIA in the fourth quarter of 2022. Also during the fourth quarter of 2022, the Company made a $135 million tax-deductible contribution to The M&T Charitable Foundation.

Net income recorded by the Company in 2022 was $1.99 billion or $11.53 of diluted earnings per common share, compared with $1.86 billion or $13.80 of diluted earnings per common share in 2021. Basic earnings per common share were $11.59 in 2022 and $13.81 in 2021. In connection with M&T's acquisition of People's United, the after-tax impact of merger-related expenses was $432 million ($580 million pre-tax), or $2.63 of diluted earnings per common share in 2022, compared with $34 million ($44 million pre-tax), or $0.25 of diluted earnings per common share in 2021. Merger-related expenses largely consisted of professional services, temporary help fees and other costs associated with actual or planned conversions of systems and/or integration of operations and the introduction of the Company to its new customers, costs related to terminations of existing contractual arrangements to purchase various services, severance, travel costs, and, in the second quarter of 2022, an initial provision for credit losses on loans not deemed to be purchased credit deteriorated ("PCD") on the April 1, 2022 acquisition date of People's United. GAAP requires that acquired loans be recorded at estimated fair value, which includes the use of interest rate and expected credit loss assumptions to forecast estimated cash flows. GAAP also provides that an allowance for credit losses on loans acquired, but not classified as PCD also be recognized. Given the requirement to recognize such losses above and beyond the impact of forecasted losses used in determining the fair value of acquired loans, M&T considers that initial provision to be a merger-related expense. There were no merger-related expenses during 2020. Net income in 2020 totaled $1.35 billion, while diluted and basic earnings per common share were each $9.94. Expressed as a rate of return on average assets, net income in 2022 was 1.05%, compared with 1.22% in 2021 and 1.00% in 2020. The return on average common shareholders' equity was 8.67% in 2022, 11.54% in 2021 and 8.72% in 2020.

**Table 1**

## EARNINGS SUMMARY
***Dollars in millions***

| Increase (Decrease) (a) 2021 to 2022 Amount | 2021 to 2022 % | 2020 to 2021 Amount | 2020 to 2021 % | | 2022 | 2021 | 2020 | 2019 | 2018 | Compound Growth Rate 5 Years 2017 to 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| $ 2,332.8 | 59 | $ (256.5) | (6) | Interest income (b) | $ 6,286.3 | $ 3,953.5 | $ 4,210.0 | $ 4,902.4 | $ 4,620.6 | 8 % |
| 311.2 | 273 | (212.4) | (65) | Interest expense | 425.2 | 114.0 | 326.4 | 749.3 | 526.4 | 2 |
| 2,021.6 | 53 | (44.1) | (1) | Net interest income (b) | 5,861.1 | 3,839.5 | 3,883.6 | 4,153.1 | 4,094.2 | 9 |
| 592.0 | — | (875.0) | (109) | Less: provision for credit losses | 517.0 | (75.0) | 800.0 | 176.0 | 132.0 | 25 |
| 15.5 | — | (11.8) | — | Gain (loss) on bank investment securities | (5.7) | (21.2) | (9.4) | 18.0 | (6.3) | — |
| 174.1 | 8 | 90.3 | 4 | Other income | 2,362.3 | 2,188.2 | 2,097.9 | 2,043.7 | 1,862.3 | 5 |
| | | | | Less: | | | | | | |
| 741.7 | 36 | 95.0 | 5 | Salaries and employee benefits | 2,787.4 | 2,045.7 | 1,950.7 | 1,900.8 | 1,752.3 | 11 |
| 697.1 | 45 | 131.4 | 9 | Other expense | 2,263.0 | 1,565.9 | 1,434.5 | 1,567.9 | 1,535.8 | 9 |
| 180.4 | 7 | 683.0 | 38 | Income before income taxes | 2,650.3 | 2,469.9 | 1,786.9 | 2,570.1 | 2,530.1 | 2 |
| | | | | Less: | | | | | | |
| 24.4 | 166 | (2.6) | (15) | Taxable-equivalent adjustment(b) | 39.1 | 14.7 | 17.3 | 22.9 | 21.9 | 3 |
| 23.1 | 4 | 180.0 | 43 | Income taxes | 619.5 | 596.4 | 416.4 | 618.1 | 590.1 | (8) |
| $ 132.9 | 7 | $ 505.6 | 37 | Net income | $ 1,991.7 | $ 1,858.8 | $ 1,353.2 | $ 1,929.1 | $ 1,918.1 | 7 % |

(a) *Changes were calculated from unrounded amounts.*
(b) *Interest income data are on a taxable-equivalent basis. The taxable-equivalent adjustment represents additional income taxes that would be due if all interest income were subject to income taxes. This adjustment, which is related to interest received on qualified municipal securities, industrial revenue financings and preferred equity securities, is based on a composite income tax rate of approximately 26%.*

The financial results associated with the acquired operations of People's United have been included in the Company's consolidated statement of income since April 1, 2022. Reflecting earning assets obtained in the acquisition of People's United and an expanded net interest margin the Company's taxable-equivalent net interest income increased by 53% to $5.86 billion in 2022 from $3.84 billion in 2021. That increase includes the impact of a 63 basis point (hundredths of one percent) widening of the net interest margin to 3.39% in 2022 from 2.76% in 2021 and a growth in average earning assets to $172.8 billion in 2022 from $139.1 billion in 2021. That growth includes increases in average loans and investment securities of $22.7 billion and $13.5 billion, respectively. Earning assets of People's United totaled $56.6 billion on April 1, 2022 and included loans and investment securities of $35.8 billion and $11.6 billion, respectively. Taxable-equivalent net interest income was $3.88 billion in 2020. The decrease in 2021 as compared with 2020 resulted from a 40 basis point narrowing of the net interest margin from 3.16% in 2020, partially offset by the impact of an increase in average earning assets from $122.9 billion in 2020 that reflected higher balances of amounts held at the Federal Reserve Bank ("FRB") of New York.

The provision for credit losses was $517 million in 2022 reflecting the $242 million People's United-related provision for non-PCD loans acquired in the acquisition and a forecasted weakening of macroeconomic conditions as of December 31, 2022, as compared with forecasts in 2021 during which a recapture of previously recorded provisions of $75 million was recorded. The provision in 2020 was $800 million. Net charge-offs in 2022, 2021 and 2020 were $160 million, $192 million and $247 million, respectively.

Other income totaled $2.36 billion in 2022, $2.17 billion in 2021 and $2.09 billion in 2020. Comparing the recent year with 2021, acquired operations associated with the People's United acquisition (predominantly reflected in trust income, service charges on deposit accounts and other revenues from operations, including credit-related fees), higher trust income from legacy operations and the $136 million gain on sale of MTIA were most impactful to the higher levels of noninterest income in 2022. Those increases were partially offset by lower mortgage banking revenues reflecting the Company's decision late in the third quarter of 2021 to retain the substantial majority of recently originated mortgage loans in portfolio rather than sell such loans, and a planned reduction of insufficient funds fees reflected in service charges on deposit accounts. As compared with 2020, higher amounts of trust income, service charges on deposit accounts, and brokerage services income in 2021 were partially offset by lower trading account and non-hedging derivative gains, a higher loss on bank investment securities and less in distributions from Bayview Lending Group LLC ("BLG").

Other expense totaled $5.05 billion in 2022, compared with $3.61 billion in 2021 and $3.39 billion in 2020. Included in those amounts are expenses considered by M&T to be “nonoperating” in nature, consisting of amortization of core deposit and other intangible assets of $56 million, $10 million and $15 million in 2022, 2021 and 2020, respectively, and merger-related expenses of $338 million and $44 million in 2022 and 2021, respectively. No merger-related expenses were recorded in 2020. Exclusive of those nonoperating expenses, noninterest operating expenses totaled $4.66 billion in 2022, compared with $3.56 billion in 2021 and $3.37 billion in 2020. Acquired operations from People's United were the predominant factor for increased noninterest operating expenses in 2022. In addition to the People's United acquisition, factors contributing to the higher level of expenses included higher costs for salaries and employee benefits, outside data processing and software, equipment and net occupancy and professional services expenses, and (in the fourth quarter of 2022) a contribution to The M&T Charitable Foundation. Those higher expenses were partially offset by lower defined benefit pension-related expenses included in other costs of operations. The higher level of such expenses in 2021 as compared with 2020 was due to increased costs for salaries and employee benefits, outside data processing and software, FDIC assessments, and professional services.

The efficiency ratio measures the relationship of noninterest operating expenses to revenues. The Company’s efficiency ratio, or noninterest operating expenses (as previously defined) divided by the sum of taxable-equivalent net interest income and noninterest income (exclusive of gains and losses from bank investment securities), was 56.6% in 2022, compared with 59.0% and 56.3% in 2021 and 2020, respectively. The calculations of the efficiency ratio are presented in table 2.

The Company’s effective tax rate was 23.7% in 2022, compared with 24.3% and 23.5% in 2021 and 2020, respectively.

Under approved capital plans and programs authorized by M&T's Board of Directors, M&T repurchased a total of 10,453,282 shares of M&T's common stock in 2022 at an average cost per share of $172.19 resulting in a total cost of $1.8 billion. M&T repurchased 2,577,000 common shares for $374 million in 2020. No common shares were repurchased in 2021.

**Supplemental Reporting of Non-GAAP Results of Operations**

As a result of business combinations and other acquisitions, the Company had intangible assets consisting of goodwill and core deposit and other intangible assets totaling $8.7 billion at December 31, 2022 and $4.6 billion at each of December 31, 2021 and 2020, consisting predominantly of goodwill. Amortization of core deposit and other intangible assets, after-tax effect, totaled $43 million, $8 million and $11 million during 2022, 2021 and 2020, respectively.

M&T consistently provides supplemental reporting of its results on a “net operating” or “tangible” basis, from which M&T excludes the after-tax effect of amortization of core deposit and other intangible assets (and the related goodwill, core deposit intangible and other intangible asset balances, net of applicable deferred tax amounts) and expenses (when incurred) associated with merging acquired or to be acquired operations with and into the Company, since such items are considered by management to be “nonoperating” in nature. In 2022 and 2021, those merger-related expenses generally consisted of professional services, temporary help fees and other costs associated with actual or planned conversions of systems and/or integration of operations and the introduction of M&T to its new customers; costs related to terminations of existing contractual arrangements to purchase various services; severance; travel costs; legal expenses; printing costs associated with communications with shareholders and customers; and in the second quarter of 2022, an initial provision for credit losses on loans not deemed to be PCD on April 1, 2022. Such expenses totaled $580 million ($432 million after-tax) in 2022 and $44 million ($34 million after-tax) in 2021. There were no merger-related expenses in 2020. Although "net operating income" as defined by M&T is not a GAAP measure, M&T's management believes that this information helps investors understand the effect of acquisition activity in reported results.

Net operating income was $2.47 billion in 2022, $1.90 billion in 2021, and $1.36 billion in 2020. Diluted net operating earnings per common share were $14.42 in 2022, $14.11 in 2021 and $10.02 in 2020.

Net operating income expressed as a rate of return on average tangible assets was 1.35% in 2022, compared with 1.28% in 2021 and 1.04% in 2020. Net operating income represented a return on average tangible common equity of 16.70% in 2022, compared with 16.80% in 2021 and 12.79% in 2020.

Reconciliations of GAAP amounts with corresponding non-GAAP amounts are presented in table 2.

# Table 2

## RECONCILIATION OF GAAP TO NON-GAAP MEASURES

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Income statement data** | | | |
| *Dollars in thousands, except per share* | | | |
| **Net income** | | | |
| Net income | $ 1,991,663 | $ 1,858,746 | $ 1,353,152 |
| Amortization of core deposit and other intangible assets (a) | 42,771 | 7,532 | 10,993 |
| Merger-related expenses (a) | 431,576 | 33,560 | — |
| Net operating income | $ 2,466,010 | $ 1,899,838 | $ 1,364,145 |
| **Earnings per common share** | | | |
| Diluted earnings per common share | $ 11.53 | $ 13.80 | $ 9.94 |
| Amortization of core deposit and other intangible assets (a) | .26 | .06 | .08 |
| Merger-related expenses (a) | 2.63 | .25 | — |
| Diluted net operating earnings per common share | $ 14.42 | $ 14.11 | $ 10.02 |
| **Other expense** | | | |
| Other expense | $ 5,050,436 | $ 3,611,623 | $ 3,385,240 |
| Amortization of core deposit and other intangible assets | (55,624) | (10,167) | (14,869) |
| Merger-related expenses | (338,321) | (43,860) | — |
| Noninterest operating expense | $ 4,656,491 | $ 3,557,596 | $ 3,370,371 |
| **Merger-related expenses** | | | |
| Salaries and employee benefits | $ 102,150 | $ 176 | $ — |
| Equipment and net occupancy | 6,709 | 341 | — |
| Outside data processing and software | 5,438 | 1,119 | — |
| Advertising and marketing | 9,262 | 866 | — |
| Printing, postage and supplies | 6,786 | 2,965 | — |
| Other costs of operations | 207,976 | 38,393 | — |
| Other expense | 338,321 | 43,860 | — |
| Provision for credit losses | 242,000 | — | — |
| Total | $ 580,321 | $ 43,860 | $ — |
| **Efficiency ratio** | | | |
| Noninterest operating expense (numerator) | $ 4,656,491 | $ 3,557,596 | $ 3,370,371 |
| Taxable-equivalent net interest income | $ 5,861,128 | $ 3,839,509 | $ 3,883,605 |
| Other income | 2,356,603 | 2,166,994 | 2,088,444 |
| Less: Gain (loss) on bank investment securities | (5,686) | (21,220) | (9,421) |
| Denominator | $ 8,223,417 | $ 6,027,723 | $ 5,981,470 |
| Efficiency ratio | 56.6% | 59.0% | 56.3% |
| **Balance sheet data** | | | |
| *In millions* | | | |
| **Average assets** | | | |
| Average assets | $ 190,252 | $ 152,669 | $ 135,480 |
| Goodwill | (7,537) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (179) | (8) | (21) |
| Deferred taxes | 43 | 2 | 5 |
| Average tangible assets | $ 182,579 | $ 148,070 | $ 130,871 |
| **Average common equity** | | | |
| Average total equity | $ 23,810 | $ 16,909 | $ 15,991 |
| Preferred stock | (1,946) | (1,438) | (1,250) |
| Average common equity | 21,864 | 15,471 | 14,741 |
| Goodwill | (7,537) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (179) | (8) | (21) |
| Deferred taxes | 43 | 2 | 5 |
| Average tangible common equity | $ 14,191 | $ 10,872 | $ 10,132 |
| **At end of year** | | | |
| **Total assets** | | | |
| Total assets | $ 200,730 | $ 155,107 | $ 142,601 |
| Goodwill | (8,490) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (209) | (4) | (14) |
| Deferred taxes | 51 | 1 | 4 |
| Total tangible assets | $ 192,082 | $ 150,511 | $ 137,998 |
| **Total common equity** | | | |
| Total equity | $ 25,318 | $ 17,903 | $ 16,187 |
| Preferred stock | (2,011) | (1,750) | (1,250) |
| Common equity | 23,307 | 16,153 | 14,937 |
| Goodwill | (8,490) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (209) | (4) | (14) |
| Deferred taxes | 51 | 1 | 4 |
| Total tangible common equity | $ 14,659 | $ 11,557 | $ 10,334 |

(a) *After any related tax effect.*

**Net Interest Income/Lending and Funding Activities**

Taxable-equivalent net interest income was $5.86 billion in 2022, a 53% increase from $3.84 billion in 2021. That increase reflects the impact of $33.7 billion in additional average earning assets, predominantly resulting from the People's United transaction, and a 63 basis point widening of the net interest margin to 3.39% in 2022 from 2.76% in 2021. The higher net interest margin in 2022 is generally reflective of a rising interest rate environment resulting from actions taken by the Federal Reserve to temper inflationary pressures on the U.S. economy. The Federal Reserve raised its target Federal funds rate through multiple hikes that totaled 4.25% during 2022.

Average earnings assets were $172.8 billion in 2022 and $139.1 billion in 2021. Average loans and leases were $119.3 billion in 2022, up from $96.6 billion in 2021. Included in average loans and leases in the recent year were loans obtained in the People's United acquisition. Loans acquired from People's United totaled $35.8 billion on the April 1, 2022 acquisition date and consisted of approximately $13.6 billion of commercial loans and leases, $13.5 billion of commercial real estate loans, $7.1 billion of residential real estate loans and $1.6 billion of consumer loans. Including the three quarter impact of the acquired loan balances, average balances of commercial loans and leases increased $9.7 billion or 39% to $34.9 billion in 2022 from $25.2 billion in 2021. Partially offsetting the increase from acquired loans was a reduction in average balances of Paycheck Protection Program (“PPP”) loans, reflecting loan repayments by the Small Business Administration. PPP loans averaged $446 million in 2022 compared with $4.1 billion in 2021. Average commercial real estate loan balances were up $6.3 billion or 17% to $43.6 billion in 2022 from $37.3 billion in 2021. That increase was predominantly due to the impact of loans obtained in the acquisition of People's United partially offset by a reduction in average balances of legacy construction and permanent mortgage loans, reflecting repayments by customers. Consumer loans averaged $19.5 billion in 2022, an increase of $2.2 billion or 13% from $17.3 billion in 2021, reflecting the impact of loans obtained in the acquisition of People's United (that consisted predominantly of outstanding balances of home equity lines of credit) and growth in average recreational finance loans (consisting predominantly of loans secured by recreational vehicles and boats). Average residential real estate loans were $21.3 billion and $16.8 billion in 2022 and 2021, respectively. The growth in residential real estate loans was largely attributable to the acquisition of loans from People's United and the Company's decision in the third quarter of 2021 to retain rather than sell most originated residential mortgage loans. Partially offsetting those increases was the impact of ongoing repayments of loans by customers.

Net interest income expressed on a taxable-equivalent basis aggregated $3.84 billion in 2021, compared with $3.88 billion in 2020. The decrease in 2021 was primarily attributable to a 40 basis point narrowing of the net interest margin to 2.76% in 2021 from 3.16% in 2020 reflecting lower yields on loans offset, in part, by lower rates paid on deposits, and reduced balances of investment securities. Those net impacts were partially offset by increased deposits held at the FRB of New York that served to increase net interest income, but, due to their low yield, reduced the reported net interest margin.

Average earnings assets were $139.1 billion and $122.9 billion in 2021 and 2020, respectively. Average loans and leases were $96.6 billion in each of 2021 and 2020. Average balances of commercial loans and leases decreased $2.3 billion or 8% to $25.2 billion in 2021 from $27.5 billion in 2020. That decrease was largely the result of a decline in average balances of PPP loans due to loan forgiveness by the SBA, lower dealer floor plan balances reflecting automobile production and inventory issues experienced by the industry and subdued loan demand by commercial customers, in general. PPP loans averaged $4.1 billion in 2021 compared with $4.4 billion in 2020. Average commercial real estate loan balances were up $336 million or 1% to $37.3 billion in 2021 from $37.0 billion in 2020. Consumer loans averaged $17.3 billion in 2021, an increase of $1.4 billion or 9% from $15.9 billion in 2020, due to growth in recreational finance loans and, to a lesser extent, automobile loans that was partially offset by declines in average outstanding balances of home equity loans and lines of credit. Average residential real estate loans were $16.8 billion and $16.2 billion in 2021 and 2020, respectively, reflecting repurchases of government-guaranteed loans from Ginnie Mae pools that are serviced by the Company. The Company repurchased government-guaranteed loans to reduce associated servicing costs, namely a requirement to advance principal and interest payments that had not been received from individual mortgagors. The loans repurchased from Ginnie Mae pools averaged $3.3 billion in 2021 and $2.6 billion in 2020. Additionally, late in the third quarter of 2021, the Company began to retain recently originated residential mortgage loans in portfolio rather than sell such loans. Those increases were offset by the ongoing repayments of loans by customers.

## Table 3

# AVERAGE BALANCE SHEETS AND TAXABLE-EQUIVALENT RATES

(Average balance in millions of dollars; interest in thousands of dollars)

| | 2022 | | | 2021 | | | 2020 | | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| **Assets** | | | | | | | | | | | | | | | |
| Earning assets | | | | | | | | | | | | | | | |
| Loans and leases, net of unearned discount (a) | | | | | | | | | | | | | | | |
| Commercial, financial, etc. | $ 34,926 | $1,633,157 | 4.68% | 25,191 | 902,958 | 3.58% | 27,520 | 941,419 | 3.42% | 23,306 | 1,118,850 | 4.80% | 21,832 | 1,003,462 | 4.60% |
| Real estate — commercial | 43,576 | 1,921,209 | 4.35 | 37,321 | 1,498,089 | 3.96 | 36,986 | 1,651,448 | 4.39 | 34,885 | 1,842,472 | 5.21 | 33,682 | 1,712,247 | 5.01 |
| Real estate — consumer | 21,257 | 796,936 | 3.75 | 16,770 | 595,496 | 3.55 | 16,215 | 618,597 | 3.82 | 16,665 | 708,555 | 4.25 | 18,330 | 766,552 | 4.18 |
| Consumer | 19,538 | 908,368 | 4.65 | 17,331 | 767,167 | 4.43 | 15,884 | 780,803 | 4.92 | 14,638 | 794,913 | 5.43 | 13,555 | 703,919 | 5.19 |
| Total loans and leases, net | 119,297 | 5,259,670 | 4.41 | 96,613 | 3,763,710 | 3.90 | 96,605 | 3,992,267 | 4.13 | 89,494 | 4,464,790 | 4.99 | 87,399 | 4,186,180 | 4.79 |
| Interest-bearing deposits at banks | 33,435 | 509,030 | 1.52 | 35,829 | 47,491 | .13 | 15,329 | 32,956 | .21 | 6,783 | 141,397 | 2.08 | 5,614 | 108,182 | 1.93 |
| Federal funds sold and agreements to resell securities | 70 | 298 | .43 | 167 | 202 | .12 | 2,717 | 6,985 | .26 | 327 | 5,507 | 1.68 | 1 | 23 | 1.95 |
| Trading account | 109 | 1,628 | 1.49 | 50 | 941 | 1.89 | 53 | 1,111 | 2.10 | 68 | 1,842 | 2.72 | 58 | 1,479 | 2.55 |
| Investment securities (b) | | | | | | | | | | | | | | | |
| U.S. Treasury and federal agencies | 16,933 | 410,065 | 2.42 | 5,736 | 128,593 | 2.24 | 7,454 | 164,263 | 2.20 | 10,755 | 261,351 | 2.43 | 12,915 | 299,543 | 2.32 |
| Obligations of states and political subdivisions | 2,025 | 71,201 | 3.52 | 1 | 30 | 5.87 | 3 | 125 | 4.98 | 7 | 298 | 4.48 | 16 | 747 | 4.58 |
| Other | 939 | 34,400 | 3.66 | 672 | 12,548 | 1.87 | 708 | 12,293 | 1.74 | 788 | 27,272 | 3.46 | 763 | 24,454 | 3.21 |
| Total investment securities | 19,897 | 515,666 | 2.59 | 6,409 | 141,171 | 2.20 | 8,165 | 176,681 | 2.16 | 11,550 | 288,921 | 2.50 | 13,694 | 324,744 | 2.37 |
| *Total earning assets* | 172,808 | 6,286,292 | 3.64 | 139,068 | 3,953,515 | 2.84 | 122,869 | 4,210,000 | 3.43 | 108,222 | 4,902,457 | 4.53 | 106,766 | 4,620,608 | 4.33 |
| Allowance for credit losses | (1,751) | | | (1,620) | | | (1,503) | | | (1,030) | | | (1,019) | | |
| Cash and due from banks | 1,776 | | | 1,446 | | | 1,327 | | | 1,294 | | | 1,312 | | |
| Other assets | 17,419 | | | 13,775 | | | 12,787 | | | 11,098 | | | 9,900 | | |
| Total assets | $190,252 | | | 152,669 | | | 135,480 | | | 119,584 | | | 116,959 | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | | | |
| Interest-bearing liabilities | | | | | | | | | | | | | | | |
| Interest-bearing deposits | | | | | | | | | | | | | | | |
| Savings and interest-checking deposits | $ 84,753 | 270,765 | .32 | 70,879 | 32,998 | .05 | 63,590 | 146,700 | .23 | 54,610 | 368,004 | .67 | 52,102 | 215,411 | .41 |
| Time deposits | 4,850 | 23,867 | .49 | 3,263 | 18,635 | .57 | 4,960 | 66,280 | 1.34 | 6,309 | 95,426 | 1.51 | 6,025 | 51,423 | .85 |
| Deposits at Cayman Islands office | — | — | — | 181 | 201 | .11 | 1,117 | 4,054 | .36 | 1,367 | 21,917 | 1.60 | 394 | 5,633 | 1.43 |
| Total interest-bearing deposits | 89,603 | 294,632 | .33 | 74,323 | 51,834 | .07 | 69,667 | 217,034 | .31 | 62,286 | 485,347 | .78 | 58,521 | 272,467 | .47 |
| Short-term borrowings | 936 | 19,426 | 2.08 | 68 | 7 | .01 | 62 | 28 | .05 | 1,059 | 24,741 | 2.34 | 331 | 5,386 | 1.63 |
| Long-term borrowings | 3,440 | 111,106 | 3.23 | 3,537 | 62,165 | 1.76 | 5,803 | 109,333 | 1.88 | 7,703 | 239,242 | 3.11 | 8,845 | 248,556 | 2.81 |
| *Total interest-bearing liabilities* | 93,979 | 425,164 | .45 | 77,928 | 114,006 | .14 | 75,532 | 326,395 | .43 | 71,048 | 749,330 | 1.05 | 67,697 | 526,409 | .78 |
| Noninterest-bearing deposits | 68,888 | | | 55,666 | | | 41,683 | | | 30,763 | | | 31,893 | | |
| Other liabilities | 3,575 | | | 2,166 | | | 2,274 | | | 2,055 | | | 1,739 | | |
| Total liabilities | 166,442 | | | 135,760 | | | 119,489 | | | 103,866 | | | 101,329 | | |
| Shareholders' equity | 23,810 | | | 16,909 | | | 15,991 | | | 15,718 | | | 15,630 | | |
| Total liabilities and shareholders' equity | $190,252 | | | 152,669 | | | 135,480 | | | 119,584 | | | 116,959 | | |
| Net interest spread | | | 3.19 | | | 2.70 | | | 3.00 | | | 3.48 | | | 3.55 |
| Contribution of interest-free funds | | | .20 | | | .06 | | | .16 | | | .36 | | | .28 |
| Net interest income/margin on earning assets | | $5,861,128 | 3.39% | | 3,839,509 | 2.76% | | 3,883,605 | 3.16% | | 4,153,127 | 3.84% | | 4,094,199 | 3.83% |

(a) *Includes nonaccrual loans.*
(b) *Includes available-for-sale investment securities at amortized cost.*

Table 4 summarizes average loans and leases outstanding in 2022 and percentage changes in the major components of the portfolio over the past two years.

**Table 4**

**AVERAGE LOANS AND LEASES**
**(Net of unearned discount)**

| | 2022 (In millions) | Percent Increase (Decrease) from 2021 to 2022 | Percent Increase (Decrease) from 2020 to 2021 |
|---|---|---|---|
| Commercial, financial, etc. | $ 34,926 | 39 % | (8) % |
| Real estate — commercial | 43,576 | 17 | 1 |
| Real estate — consumer | 21,257 | 27 | 3 |
| Consumer | | | |
| Recreational finance | 8,500 | 11 | 21 |
| Automobile | 4,527 | 2 | 14 |
| Home equity lines and loans | 4,669 | 25 | (12) |
| Other | 1,842 | 25 | 5 |
| Total consumer | 19,538 | 13 | 9 |
| Total | $ 119,297 | 23 % | — % |

Commercial loans and leases, excluding loans secured by real estate, totaled $41.9 billion at December 31, 2022, representing 32% of total loans and leases. Table 5 presents information on commercial loans and leases as of December 31, 2022 relating to geographic area, size, borrower industry and whether the loans are secured by collateral or unsecured. Of the $41.9 billion of commercial loans and leases outstanding at the end of 2022, approximately $37.8 billion, or 90%, were secured, while 25%, 33% and 13% were granted to businesses in New York State, the Mid-Atlantic area (which includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and the District of Columbia) and the New England area (which includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont), respectively. The Company provides financing for leases to commercial customers, primarily for equipment. Commercial leases included in total commercial loans and leases at December 31, 2022 aggregated $2.4 billion, of which 23% were secured by collateral located in New York State, 24% were secured by collateral in the Mid-Atlantic area and 5% were secured by collateral in New England. The Company acquired $1.3 billion of commercial leases on April 1, 2022 as a result of the People's United transaction.

International loans included in commercial loans and leases totaled $241 million and $116 million at December 31, 2022 and 2021, respectively. Included in such amounts were $227 million and $94 million of loans, respectively, at M&T Bank’s commercial banking office in Ontario, Canada. The remaining international loans were predominantly to domestic companies with foreign operations.

**Table 5**

## COMMERCIAL LOANS AND LEASES, NET OF UNEARNED DISCOUNT

***(Excludes Loans Secured by Real Estate)***

**December 31, 2022**

| | New York | Mid-Atlantic (a) | New England (b) | Other | Total | Percent of Total |
|---|---|---|---|---|---|---|
| | | | (Dollars in millions) | | | |
| Financial and insurance | $ 2,379 | $ 1,511 | $ 532 | $ 3,006 | $ 7,428 | 18% |
| Services | 1,416 | 2,547 | 1,179 | 1,352 | 6,494 | 16% |
| Manufacturing | 1,470 | 1,929 | 873 | 1,252 | 5,524 | 13% |
| Motor vehicle and recreational finance dealers | 1,065 | 1,372 | 505 | 1,855 | 4,797 | 11% |
| Wholesale | 937 | 1,762 | 841 | 600 | 4,140 | 10% |
| Transportation, communications, utilities | 359 | 819 | 478 | 1,422 | 3,078 | 7% |
| Retail | 568 | 978 | 234 | 745 | 2,525 | 6% |
| Construction | 532 | 921 | 211 | 660 | 2,324 | 6% |
| Health services | 639 | 698 | 343 | 292 | 1,972 | 5% |
| Real estate investors | 751 | 691 | 81 | 359 | 1,882 | 4% |
| Public administration | 156 | 92 | 83 | — | 331 | 1% |
| Agriculture, forestry, fishing, etc. | 25 | 90 | 38 | 10 | 163 | — |
| Other | 255 | 275 | 62 | 600 | 1,192 | 3% |
| Total | $ 10,552 | $ 13,685 | $ 5,460 | $ 12,153 | $ 41,850 | 100% |
| Percent of total | 25% | 33% | 13% | 29% | 100% | |
| Percent of dollars outstanding | | | | | | |
| Secured | 78% | 86% | 91% | 86% | 84% | |
| Unsecured | 17 | 10 | 7 | 5 | 10 | |
| Leases | 5 | 4 | 2 | 9 | 6 | |
| Total | 100% | 100% | 100% | 100% | 100% | |
| Percent of dollars outstanding by size of loan | | | | | | |
| Less than $1 million | 22% | 21% | 17% | 32% | 24% | |
| $1 million to $10 million | 36 | 32 | 38 | 22 | 31 | |
| $10 million to $30 million | 21 | 23 | 32 | 18 | 22 | |
| $30 million to $50 million | 9 | 12 | 11 | 8 | 10 | |
| $50 million to $100 million | 4 | 8 | 2 | 14 | 8 | |
| Greater than $100 million | 8 | 4 | — | 6 | 5 | |
| Total | 100% | 100% | 100% | 100% | 100% | |

*(a) Includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and the District of Columbia.*

*(b) Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.*

Loans secured by real estate, including outstanding balances of home equity loans and lines of credit which the Company classifies as consumer loans, represented approximately 58% of the loan and lease portfolio during 2022, compared with 59% in each of 2021 and 2020. At December 31, 2022, the Company held approximately $45.4 billion of commercial real estate loans (including $131 million held for sale), $23.8 billion of consumer real estate loans secured by one-to-four family residential properties (including $32 million of loans held for sale) and $5.0 billion of outstanding balances of home equity loans and lines of credit, compared with $35.4 billion, $16.1 billion and $3.6 billion, respectively, at December 31, 2021. Included in commercial real estate loans at December 31, 2022 and 2021 were construction loans of $8.6 billion and $9.3 billion, respectively, including amounts due from builders and developers of residential real estate aggregating $1.3 billion and $1.4 billion at December 31, 2022 and 2021, respectively. Commercial real estate loans included loans held for sale totaling $131 million and $425 million at December 31, 2022 and 2021, respectively. International loans included in commercial real estate loans totaled $69 million at December 31, 2022 and $74 million at December 31, 2021.

Commercial real estate loans originated by the Company include both fixed and variable rate instruments with monthly payments and a balloon payment of the remaining unpaid principal at maturity. Maturity dates generally range from five to ten years and, for borrowers in good standing, the terms of such loans may be extended by the customer following maturity at the then-current market rate of interest. Adjustable-rate commercial real estate loans represented approximately 77% of the commercial real estate loan portfolio at the 2022 year-end. Table 6 presents commercial real estate loans by geographic area, type of collateral and size of the loans outstanding at December 31, 2022. New York City commercial real estate loans totaled $5.8 billion at December 31, 2022. The $5.3 billion of investor-owned commercial real estate loans in New York City were largely secured by multifamily residential properties, retail space and office space. The Company's experience has been that office, retail and service-related properties tend to demonstrate more volatile fluctuations in value through economic cycles and changing economic conditions than do multifamily residential properties. Approximately 64% of the aggregate dollar amount of New York City loans were for loans with outstanding balances of $30 million or less, while loans of more than $50 million made up approximately 25% of the total.

Commercial real estate loans secured by properties located in other parts of New York State, the New England area and the Mid-Atlantic area tend to have a greater diversity of collateral types and include a significant amount of lending to customers who use the mortgaged property in their trade or business (owner-occupied). Approximately 90% of the aggregate dollar amount of commercial real estate loans in New York State secured by properties located outside of New York City were for loans with outstanding balances of $30 million or less. Of the outstanding balances of commercial real estate loans in the New England and Mid-Atlantic areas, approximately 86% and 78%, respectively, were for loans with outstanding balances of $30 million or less.

Commercial real estate loans secured by properties located outside of the New England area, the Mid-Atlantic area and New York State comprised 16% of total commercial real estate loans as of December 31, 2022.

Commercial real estate construction and development loans made to investors presented in table 6 totaled $8.3 billion at December 31, 2022, or 6% of total loans and leases. Approximately 98% of those construction loans had adjustable interest rates. Included in such loans at the 2022 year-end were $1.3 billion of loans to builders and developers of residential real estate properties. The remainder of the commercial real estate construction loan portfolio was comprised of loans made for various purposes, including the construction of office buildings, multifamily residential housing, retail space and other commercial development.

M&T Realty Capital Corporation, a commercial real estate lending subsidiary of M&T Bank, participates in the Delegated Underwriting and Servicing ("DUS") program of Fannie Mae, pursuant to which commercial real estate loans are originated in accordance with terms and conditions specified by Fannie Mae and sold. Under this program, loans are sold with partial credit recourse to M&T Realty Capital Corporation. The amount of recourse is generally limited to one-third of any credit loss incurred by the purchaser on an individual loan, although in some cases the recourse amount is less than one-third of the outstanding principal balance. The Company's maximum credit risk for recourse associated with sold commercial real estate loans was approximately $3.9 billion at December 31, 2022 and $4.0 billion at December 31, 2021. There have been no material losses incurred as a result of those recourse arrangements. At December 31, 2022 and 2021, commercial real estate loans serviced by the Company for other investors were $26.0 billion and $23.7 billion, respectively. Reflected in commercial real estate loans serviced for others were loans sub-serviced for others that had outstanding balances of $3.8 billion and $3.5 billion at December 31, 2022 and 2021, respectively.

**Table 6**
**COMMERCIAL REAL ESTATE LOANS, NET OF UNEARNED DISCOUNT**
**December 31, 2022**

| | New York State: New York City | New York State: Other | Mid-Atlantic (a) | New England (b) | Other | Total | Percent of Total |
|---|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | | |
| Investor-owned | | | | | | | |
| Permanent finance by property type | | | | | | | |
| Retail/Service | $ 1,178 | $ 1,364 | $ 1,606 | $ 1,510 | $ 638 | $ 6,296 | 14% |
| Apartments/Multifamily | 1,154 | 1,115 | 838 | 1,625 | 1,156 | 5,888 | 13 |
| Office | 732 | 1,168 | 1,333 | 1,480 | 473 | 5,186 | 12 |
| Health facilities | 224 | 887 | 1,324 | 687 | 545 | 3,667 | 8 |
| Hotel | 301 | 565 | 910 | 577 | 457 | 2,810 | 6 |
| Industrial/Warehouse | 137 | 379 | 647 | 518 | 557 | 2,238 | 5 |
| Other | 189 | 51 | 123 | 158 | 6 | 527 | 1 |
| Total permanent | 3,915 | 5,529 | 6,781 | 6,555 | 3,832 | 26,612 | 59% |
| Construction/Development | | | | | | | |
| Commercial | | | | | | | |
| Construction | 1,132 | 774 | 2,203 | 875 | 1,435 | 6,419 | 14% |
| Land/Land development | 149 | 42 | 174 | 31 | 128 | 524 | 1 |
| Residential builder and developer | | | | | | | |
| Construction | 101 | 27 | 136 | 9 | 582 | 855 | 2 |
| Land/Land development | — | 26 | 125 | — | 308 | 459 | 1 |
| Total construction/development | 1,382 | 869 | 2,638 | 915 | 2,453 | 8,257 | 18% |
| Total investor-owned | 5,297 | 6,398 | 9,419 | 7,470 | 6,285 | 34,869 | 77% |
| Owner-occupied by industry (c) | | | | | | | |
| Other services | 193 | 677 | 821 | 479 | 83 | 2,253 | 5% |
| Motor vehicle and recreational finance dealers | 12 | 369 | 713 | 333 | 421 | 1,848 | 4 |
| Retail | 40 | 380 | 737 | 400 | 131 | 1,688 | 4 |
| Health services | 80 | 260 | 322 | 294 | 33 | 989 | 2 |
| Wholesale | 57 | 162 | 544 | 164 | 51 | 978 | 2 |
| Manufacturing | 26 | 284 | 251 | 236 | 44 | 841 | 2 |
| Real estate investors | 55 | 328 | 211 | 117 | 21 | 732 | 2 |
| Other | 54 | 328 | 559 | 206 | 20 | 1,167 | 2 |
| Total owner-occupied | 517 | 2,788 | 4,158 | 2,229 | 804 | 10,496 | 23% |
| Total commercial real estate | $ 5,814 | $ 9,186 | $ 13,577 | $ 9,699 | $ 7,089 | $45,365 | 100% |
| Percent of total | 13% | 20% | 30% | 21% | 16% | 100% | |
| Percent of dollars outstanding by size of loan | | | | | | | |
| Less than $1 million | 3% | 13% | 10% | 10% | 9% | 9% | |
| $1 million to $10 million | 28 | 46 | 35 | 42 | 23 | 36 | |
| $10 million to $30 million | 33 | 31 | 33 | 34 | 26 | 32 | |
| $30 million to $50 million | 11 | 7 | 15 | 12 | 19 | 13 | |
| $50 million to $100 million | 19 | 3 | 6 | 1 | 13 | 7 | |
| Greater than $100 million | 6 | — | 1 | 1 | 10 | 3 | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | |

*(a) Includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and the District of Columbia.*
*(b) Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.*
*(c) Includes $359 million of construction loans.*

Real estate loans secured by one-to-four family residential properties were $23.8 billion at December 31, 2022, including approximately 31% secured by properties located in New York State, 30% secured by properties located in the Mid-Atlantic area and 27% secured by properties located in New England. The Company's portfolio of limited documentation residential real estate loans held for investment totaled $1.1 billion at December 31, 2022, compared with $1.3 billion at December 31, 2021. That portfolio consisted predominantly of limited documentation loans acquired in a prior business combination. Such loans represent loans that at origination typically included some form of limited borrower documentation requirements as compared with more traditional residential real estate loans. The acquired loans that were eligible for limited documentation processing were available in amounts up to 65% of the lower of the appraised value or purchase price of the property. Loans to individuals to finance the construction of one-to-four family residential properties totaled $55 million at December 31, 2022 and $57 million at December 31, 2021, or less than .1% of total loans and leases at each of those dates. Information about the credit performance of the Company's residential real estate loans is included herein under the heading "Provision For Credit Losses."

Consumer loans comprised approximately 16% of total loans and leases at December 31, 2022 and 19% at December 31, 2021. Outstanding balances of recreational finance loans represented the largest component of the consumer loan portfolio at December 31, 2022 and totaled $9.1 billion or approximately 7% of total loans, compared with $8.1 billion or 9% at December 31, 2021. Outstanding automobile loan balances were $4.5 billion at December 31, 2022, compared with $4.7 billion at December 31, 2021. Home equity loans and lines of credit outstanding at December 31, 2022 and December 31, 2021 were $5.0 billion and $3.6 billion, respectively. Consumer loans obtained in the acquisition of People's United were predominantly home equity lines of credit.

Table 7 presents the composition of the Company's loan and lease portfolio at the end of 2022, including outstanding balances to businesses and consumers in New York State, the Mid-Atlantic area, the New England region and other states.

**Table 7**

**LOANS AND LEASES, NET OF UNEARNED DISCOUNT**

**December 31, 2022**

| | | Percent of Dollars Outstanding | | | |
|---|---|---|---|---|---|
| | Outstandings (In millions) | New York | Mid-Atlantic (a) | New England (b) | Other |
| Real estate | | | | | |
| Residential | $ 23,756 | 31% | 30% | 27% | 12% |
| Commercial | 45,365 | 33 | 30 | 21 | 16 |
| Total real estate | 69,121 | 32% | 30% | 23% | 15% |
| Commercial, financial, etc. | 39,435 | 25% | 33% | 14% | 28% |
| Consumer | | | | | |
| Recreational finance | 9,073 | 9% | 17% | 7% | 67% |
| Home equity lines and loans | 5,007 | 34 | 41 | 24 | 1 |
| Automobile | 4,477 | 26 | 50 | 6 | 18 |
| Other secured or guaranteed | 800 | 31 | 37 | 8 | 24 |
| Other unsecured | 1,236 | 37 | 57 | 3 | 3 |
| Total consumer | 20,593 | 21% | 33% | 11% | 35% |
| Total loans | 129,149 | 28% | 32% | 18% | 22% |
| Commercial leases | 2,415 | 23% | 24% | 5% | 48% |
| Total loans and leases | $ 131,564 | 28% | 32% | 18% | 22% |

(a) *Includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and the District of Columbia.*

(b) *Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.*

The investment securities portfolio averaged $19.9 billion in 2022, up from $6.4 billion and $8.2 billion in 2021 and 2020, respectively. The higher average balance in 2022 reflects the acquisition of People's United, which added approximately $11.6 billion to the investment securities portfolio on April 1, 2022, and purchases of approximately $9.1 billion of investment securities in 2022 consisting predominantly of U.S. Treasury notes and fixed rate residential mortgage-backed securities. The decline in average balances of investment securities in 2021 as compared with 2020 was predominantly due to maturities and pay downs of mortgage-backed securities and maturities of U.S. Treasury notes. During 2022 and 2021 the Company purchased approximately $1.9 billion and $1.6 billion of fixed rate residential mortgage-backed securities, respectively, and approximately $7.3 billion and $680 million of U.S. Treasury notes, respectively. There were no significant sales of investment securities in either year. The Company routinely has increases and decreases in its holdings of capital stock of the Federal Home Loan Bank ("FHLB") of New York and the FRB of New York. Those holdings are accounted for at cost and are adjusted based on the amounts of outstanding borrowings and available lines of credit with those entities.

The investment securities portfolio is largely comprised of residential mortgage-backed securities and shorter-term U.S. Treasury and federal agency notes and, following the acquisition of People's United, municipal securities. When purchasing investment securities, the Company considers its liquidity position and its overall interest-rate risk profile as well as the adequacy of expected returns relative to risks assumed, including prepayments. The Company may occasionally sell investment securities as a result of changes in interest rates and spreads, actual or anticipated prepayments, credit risk associated with a particular security, or as a result of restructuring its investment securities portfolio in connection with a business combination. The amounts of investment securities held by the Company are influenced by such factors as available yield in comparison with alternative investments, demand for loans, which generally yield more than investment securities, ongoing repayments, the levels of deposits, and management of liquidity and balance sheet size and resulting capital ratios.

Fair value changes in equity securities with readily determinable fair values are recognized in the consolidated statement of income. Net unrealized losses on such equity securities were $6 million in 2022, $21 million in 2021 and $9 million in 2020. Those losses include changes in value of the Company's holdings of Fannie Mae and Freddie Mac preferred stock.

The Company regularly reviews its debt investment securities for declines in value below amortized cost that might be indicative of credit-related losses. In light of such reviews, there were no credit-related losses on debt investment securities recognized in 2022, 2021 or 2020. A further discussion of fair values of investment securities is included herein under the heading "Capital." Additional information about the investment securities portfolio is included in notes 3 and 21 of Notes to Financial Statements.

Other earning assets include interest-bearing balances at the FRB of New York and other banks, trading account assets, federal funds sold and agreements to resell securities. Those other earning assets in the aggregate averaged $33.6 billion in 2022, $36.0 billion in 2021 and $18.1 billion in 2020. Interest-bearing deposits at banks averaged $33.4 billion in 2022, compared with $35.8 billion in 2021 and $15.3 billion in 2020. The amounts of interest-bearing deposits at banks at the respective dates were predominantly comprised of deposits held at the FRB of New York. In general, the levels of those deposits often fluctuate due to changes in deposits of retail and commercial customers, trust-related deposits and additions to or maturities of investment securities or borrowings. Agreements to resell securities averaged $69 million, $167 million and $2.7 billion in 2022, 2021 and 2020, respectively. The higher average balance in 2020 reflects the temporary investment by the Company of increased customer deposit levels.

**Table 8**

**AVERAGE CORE DEPOSITS**

| | 2022 (In millions) | Percent Increase (Decrease) from 2021 to 2022 | Percent Increase (Decrease) from 2020 to 2021 |
|---|---|---|---|
| Savings and interest-checking deposits | $ 81,123 | 21 % | 12 % |
| Time deposits | 3,838 | 34 | (33) |
| Noninterest-bearing deposits | 68,888 | 24 | 34 |
| Total | $ 153,849 | 23 % | 19 % |

The most significant source of funding for the Company is core deposits. The Company considers noninterest-bearing deposits, interest-bearing transaction accounts, savings deposits and time deposits of $250,000 or less as core deposits. The Company's branch network is its principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Average core deposits were $153.8 billion in 2022, up from $125.6 billion in 2021 and $105.7 billion in 2020. Average balances of savings and interest-checking core deposits rose $14.1 billion or 21% in 2022 to $81.1 billion from $67.0 billion in 2021. Average noninterest-bearing deposits increased $13.2 billion or 24% to $68.9 billion in 2022 from $55.7 billion in 2021. The People's United acquisition added approximately $50.8 billion of core deposits on April 1, 2022, including $30.8 billion of savings and interest-checking deposits, $2.6 billion of time deposits and $17.4 billion of noninterest-bearing deposits. The increase in core deposits resulting from the acquisition of People's United in 2022 was partially offset by the Company's initiative to reduce certain historically higher-cost deposits as well as customer reactions to the generally rising interest rate environment. Average balances of savings and interest-checking core deposits rose $7.3 billion or 12% in 2021 to $67.0 billion from $59.8 billion in 2020. Average noninterest-bearing deposits increased $14.0 billion or 34% to $55.7 billion in 2021 from $41.7 billion in 2020. A continuance of the trend observed in 2020, the increase in average core deposits in 2021 as compared with 2020 was largely due to higher average deposits of commercial and consumer customers. Funding provided by core deposits represented 89% of average earning assets in 2022, compared with 90% in 2021 and 86% in 2020. Table 8 summarizes average core deposits in 2022 and percentage changes in the components of such deposits over the past two years. Core deposits totaled $154.6 billion and $128.0 billion at December 31, 2022 and 2021, respectively.

**Table 9**

**AVERAGE DEPOSITS**

| | Retail | Trust | Commercial and Other | Total |
|---|---|---|---|---|
| | | (In millions) | | |
| **2022** | | | | |
| Savings and interest-checking deposits | $ 47,049 | $ 6,848 | $ 30,856 | $ 84,753 |
| Time deposits | 4,257 | 13 | 580 | 4,850 |
| Noninterest-bearing deposits | 13,394 | 11,663 | 43,831 | 68,888 |
| Total | $ 64,700 | $ 18,524 | $ 75,267 | $ 158,491 |
| **2021** | | | | |
| Savings and interest-checking deposits | $ 33,964 | $ 6,021 | $ 30,894 | $ 70,879 |
| Time deposits | 3,062 | 25 | 176 | 3,263 |
| Noninterest-bearing deposits | 8,379 | 10,529 | 36,758 | 55,666 |
| Deposits at Cayman Islands office | — | — | 181 | 181 |
| Total | $ 45,405 | $ 16,575 | $ 68,009 | $ 129,989 |
| **2020** | | | | |
| Savings and interest-checking deposits | $ 29,072 | $ 5,631 | $ 28,887 | $ 63,590 |
| Time deposits | 4,657 | 50 | 253 | 4,960 |
| Noninterest-bearing deposits | 6,572 | 5,406 | 29,705 | 41,683 |
| Deposits at Cayman Islands office | — | — | 1,117 | 1,117 |
| Total | $ 40,301 | $ 11,087 | $ 59,962 | $ 111,350 |

The Company also receives funding from other deposit sources, including branch-related time deposits over $250,000, brokered deposits and, prior to June 30, 2021, deposits associated with the Company's Cayman Islands office. Time deposits over $250,000 averaged $762 million in 2022, $402 million in 2021 and $683 million in 2020. The increase in such deposits in 2022 as compared with 2021 resulted from the acquisition of People's United and higher demand for time deposit products as interest rates rose during the course of 2022. Contrasting that increase, the decline in such deposits in 2021 from 2020 was predominantly the result of maturities of time deposits and, due to the low interest rate environment in that period, a reduced demand from customers for time deposit products. Cayman Islands office deposits averaged $181 million in 2021 and $1.1 billion in 2020. Those deposits consisted predominantly of balances swept from lower-yielding commercial customer accounts. During the second quarter of 2021, the Company introduced a new interest-bearing sweep product (included in savings and interest-checking deposits) that replaced the Eurodollar sweep product previously recorded as Cayman Islands office deposits. As a result, there were no outstanding Cayman Islands deposits at each of December 31, 2022 and 2021, and the office was closed. The Company had brokered savings and interest-bearing transaction accounts that averaged $3.6 billion in 2022, compared with $3.8 billion in each of 2021 and 2020. Brokered time deposits averaged $250 million in 2022 and were not a significant source of funding in 2021 and 2020. Additional brokered deposits may be added in the future depending on market conditions, including demand by customers and other investors for those deposits, and the cost of funds available from alternative sources at the time. Time deposits over $250,000 were $1.0 billion and $345 million at December 31, 2022 and 2021, respectively. Total uninsured deposits, were estimated to be $74.2 billion at December 31, 2022, compared with $69.1 billion at December 31, 2021.

The Company also uses borrowings from banks, the FHLB of New York, the FRB of New York and others as sources of funding. Short-term borrowings represent arrangements that at the time they were entered into had a contractual maturity of one year or less. Average short-term borrowings were $936 million in 2022, compared with $68 million in 2021 and $62 million in 2020. Short-term borrowings assumed in connection with the People's United acquisition totaled $895 million on April 1, 2022. In October 2022 M&T redeemed $500 million of unsecured senior notes due to mature in December 2022 that had been assumed in the acquisition of People's United and included in short-term borrowings. Short-term borrowings were $3.6 billion at December 31, 2022, compared with $47 million at December 31, 2021. The comparative increase in short-term borrowings reflects the Company's liquidity ratio management.

Long-term borrowings averaged $3.4 billion in 2022, $3.5 billion in 2021 and $5.8 billion in 2020. As of April 1, 2022, long-term borrowings assumed in the People's United acquisition totaled $494 million and included $483 million of fixed-rate subordinated notes and $11 million of FHLB advances. Average balances of outstanding senior notes were $2.0 billion in 2022, compared with $2.4 billion and $3.8 billion in 2021 and 2020, respectively. Unsecured senior notes totaled $2.5 billion and $2.4 billion at December 31, 2022 and 2021, respectively. In November 2022 M&T Bank issued $500 million of fixed rate senior notes that pay a rate of 5.4% semi-annually and mature in November 2025. In August 2022 M&T issued $500 million of senior notes that mature in August 2028 and pay a fixed rate of 4.553% semi-annually until August 2027 after which the Secured Overnight Financing Rate ("SOFR") plus 1.78% will be paid quarterly until maturity. In April 2022, M&T Bank redeemed $650 million of fixed rate senior notes that were due to mature on May 18, 2022. During May 2022, $250 million of variable rate senior notes of M&T Bank matured. In January 2021, $350 million of variable rate senior notes of M&T Bank matured. During 2020, M&T Bank redeemed $2.1 billion of fixed rate senior notes that were within thirty days of scheduled maturity and, thereby, eligible for redemption. Also included in average long-term borrowings were amounts borrowed from FHLBs of $6 million in 2022 compared with $2 million in 2021 and 2020 and subordinated capital notes of $863 million in 2022 compared with $581 million in 2021 and $1.4 billion in 2020. In March 2021, M&T Bank redeemed $500 million of subordinated capital notes that were due to mature on December 1, 2021 and during December 2020, $409 million of subordinated capital notes of M&T Bank matured. Junior subordinated debentures associated with trust preferred securities that were included in average long-term borrowings were $534 million in 2022, $530 million in 2021 and $527 million in 2020. Additional information regarding long-term borrowings, including information regarding contractual maturities of such borrowings, is provided in note 9 of Notes to Financial Statements.

The Company has utilized interest rate swap agreements to modify the repricing characteristics of certain components of its loans and long-term debt. As of December 31, 2022, interest rate swap agreements were used as fair value hedges of approximately $1.5 billion of outstanding fixed rate long-term borrowings. Additionally, interest rate swap agreements with a notional amount of $11.25 billion were used as cash flow hedges of interest payments associated with variable rate commercial real estate loans. Further information on interest rate swap agreements is provided herein and in note 19 of Notes to Financial Statements.

Changes in the composition of the Company’s earning assets and interest-bearing liabilities, as discussed herein, as well as changes in interest rates and spreads, can impact net interest income. Net interest spread, or the difference between the taxable-equivalent yield on earning assets and the rate paid on interest-bearing liabilities, was 3.19% in 2022, compared with 2.70% in 2021 and 3.00% in 2020. The yield on the Company’s earning assets increased 80 basis points to 3.64% in 2022 from 2.84% in 2021 and the rate paid on interest-bearing liabilities increased 31 basis points to .45% in 2022 from .14% in 2021. The increase in the net interest spread in 2022 as compared with 2021 reflects the impact of generally rising interest rates that resulted in higher yields on loans and leases, deposits at the FRB of New York and investment securities, partially offset by higher rates on interest-bearing liabilities. The Federal Reserve raised its target Federal funds rate 4.25% since December 31, 2021. During 2020, the yield on earning assets was 3.43% and the rate paid on interest-bearing liabilities was .43%. The lower net interest spread in 2021 as compared with 2020 reflects the effect of decreases in short-term interest rates initiated by the Federal Reserve and the impact of a higher proportion of low-yielding balances at the FRB of New York to total average earning assets. While those low-yielding balances added to net interest income, they had the effect of reducing the yield on total average earning assets and, as a result, the net interest spread.

Net interest-free funds consist largely of noninterest-bearing demand deposits and shareholders’ equity, partially offset by bank owned life insurance and non-earning assets, including goodwill and core deposit and other intangible assets. Net interest-free funds averaged $78.8 billion in 2022, $61.1 billion in 2021 and $47.3 billion in 2020. The increase in net interest-free funds in 2022 as compared with 2021 reflects higher average balances of noninterest-bearing deposits and shareholders' equity that include the impact of the acquisition of People's United. In connection with the People's United acquisition, the Company added noninterest-bearing deposits of $17.4 million at the acquisition date. Noninterest-bearing deposits averaged $68.9 billion in 2022, $55.7 billion in 2021 and $41.7 billion in 2020. The growth from 2021 to 2022 reflects the impact of the People's United acquisition and from 2020 to 2021 reflects higher levels of deposits of commercial customers. Shareholders’ equity averaged $23.8 billion in 2022, compared with $16.9 billion and $16.0 billion in 2021 and 2020, respectively. The higher amounts of shareholders' equity in 2022 as compared with 2021 and 2020 reflect retained earnings and additional equity issued in connection with the People's United acquisition, partially offset by share repurchase activity. M&T issued $8.4 billion of common equity and $261 million of preferred equity in completing the acquisition of People's United on April 1, 2022. M&T also repurchased $1.8 billion of its common stock in 2022. Goodwill and core deposit and other intangible assets averaged $7.7 billion in 2022 and $4.6 billion in each of 2021 and 2020. The Company recorded $3.9 billion of goodwill on April 1, 2022 which represents excess consideration over the fair value of net assets acquired in the People's United transaction. As part of the transaction, intangible assets were identified, thereby increasing the balance of core deposit and other intangible assets on the Company's balance sheet by $261 million on April 1, 2022. Reflecting the impact of the People's United acquisition, the cash surrender value of bank owned life insurance averaged $2.42 billion in 2022, compared with $1.86 billion in 2021 and $1.84 billion in 2020. Increases in the cash surrender value of bank owned life insurance are not included in interest income, but rather are recorded in "other revenues from operations." The contribution of net interest-free funds to net interest margin was .20% in 2022, .06% in 2021 and .16% in 2020. The increased contribution of net-interest free funds in 2022 as compared with 2021 reflects the higher rates on interest-bearing liabilities used to value net interest-free funds. Conversely, the reduced contribution of net interest-free funds to net interest margin in 2021 as compared with 2020 reflects the lower rates on interest-bearing liabilities in that year.

Reflecting the changes to the net interest spread and the contribution of net interest-free funds as described herein, the Company's net interest margin was 3.39% in 2022, 2.76% in 2021 and 3.16% in 2020. Future changes in market interest rates or spreads, as well as changes in the composition of the Company's portfolios of earning assets and interest-bearing liabilities that result in reductions in spreads, could impact the Company's net interest income and net interest margin. The Federal Open Market Committee has conducted a series of basis point increases in short-term interest rates totaling 4.25% during 2022. These actions have led to generally higher interest rates overall and, accordingly, have contributed to the Company's higher net interest margin in 2022 as compared with 2021.

Management assesses the potential impact of future changes in interest rates and spreads by projecting net interest income under several interest rate scenarios. In managing interest rate risk, the Company has utilized interest rate swap agreements to modify the repricing characteristics of certain portions of its earning assets and interest-bearing liabilities. Periodic settlement amounts arising from these agreements are reflected in either the yields on earning assets or the rates paid on interest-bearing liabilities. The notional amount of interest rate swap agreements entered into for interest rate risk management purposes was $12.75 billion (excluding $4.65 billion of forward-starting swap agreements) at December 31, 2022, $15.0 billion (excluding $8.4 billion of forward-starting swap agreements) at December 31, 2021 and $19.0 billion (excluding $32.1 billion of forward-starting swap agreements) at December 31, 2020. Under the terms of those interest rate swap agreements, the Company received payments based on the outstanding notional amount at fixed rates and made payments at variable rates. At December 31, 2022, interest rate swap agreements with notional amounts of $11.25 billion were serving as cash flow hedges of interest payments associated with variable rate commercial real estate loans, compared with $13.35 billion at December 31, 2021 and $17.35 billion at December 31, 2020. Interest rate swap agreements with notional amounts of $1.5 billion at December 31, 2022 and $1.65 billion at each of December 31, 2021 and 2020 were serving as fair value hedges of fixed rate long-term borrowings. The Company enters into forward-starting interest rate swap agreements predominantly to extend the term of its interest rate swap agreements serving as cash flow hedges and provide a hedge against changing interest rates on certain of its variable rate loans.

In a fair value hedge, the fair value of the derivative (the interest rate swap agreement) and changes in the fair value of the hedged item are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair value of the interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded as an adjustment to the interest income or interest expense of the respective hedged item. The amounts of hedge ineffectiveness recognized in 2022, 2021 and 2020 were not material to the Company's consolidated results of operations. In a cash flow hedge, the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. Information regarding the valuation of cash flow hedges included in other comprehensive income is presented in note 16 of Notes to Financial Statements. Information regarding the fair value of interest rate swap agreements and hedge ineffectiveness is presented in note 19 of Notes to Financial Statements. The changes in the fair values of the interest rate swap agreements and the hedged items primarily result from the effects of changing interest rates and spreads. The average notional amounts of interest rate swap agreements entered into for interest rate risk management purposes, the related effect on net interest income and margin, and the weighted-average interest rates paid or received on those swap agreements are presented in table 10.

**Table 10**

**INTEREST RATE SWAP AGREEMENTS**

| | Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2020 | |
| | Amount | Rate (a) | Amount | Rate (a) | Amount | Rate (a) |
| | (Dollars in thousands) | | | | | |
| Increase (decrease) in: | | | | | | |
| Interest income | $ (36,338) | (.02)% | $ 252,397 | .18 % | $ 271,971 | .22 % |
| Interest expense | (10,045) | (.01) | (34,810) | (.03) | (40,145) | (.05) |
| Net interest income/margin | $ (26,293) | (.02)% | $ 287,207 | .20 % | $ 312,116 | .25 % |
| Average notional amount (c) | $15,487,397 | | $18,282,192 | | $16,985,246 | |
| Rate received (b) | | 1.73 % | | 1.75 % | | 2.51 % |
| Rate paid (b) | | 1.90 % | | .18 % | | .67 % |

(a) *Computed as a percentage of average earning assets or interest-bearing liabilities.*
(b) *Weighted-average rate paid or received on interest rate swap agreements in effect during the year.*
(c) *Excludes forward-starting interest rate swap agreements not in effect during the year.*

**Provision for Credit Losses**

Effective January 1, 2020 the Company adopted amended accounting guidance for the measurement of credit losses on financial instruments. That guidance requires an allowance for credit losses to be deducted from the amortized cost basis of financial assets to present the net carrying value that is expected to be collected over the contractual term of the assets considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The guidance replaced the previous incurred loss model for determining the allowance for credit losses. The adoption of the amended guidance resulted in a $132 million increase in the allowance for credit losses at January 1, 2020. After giving appropriate income tax effect, the adoption reduced retained earnings by $92 million.

In accordance with the current expected credit loss guidance, a provision for credit losses is recorded to adjust the level of the allowance to reflect expected credit losses that are based on economic forecasts as of each reporting date. A provision for credit losses of $517 million and $800 million was recorded in 2022 and 2020, respectively, compared with a recapture of previously recorded provision of $75 million in 2021. The provision recorded in 2022 included $242 million on loans obtained in the acquisition of People's United not deemed to be PCD. GAAP requires a provision for credit losses to be recorded beyond the recognition of the fair value of the loans at the acquisition date. In addition to the recorded provision, the allowance for credit losses was also increased by $99 million in the second quarter of 2022 to reflect the expected credit losses on loans obtained in the acquisition of People's United deemed to be PCD. That addition represents an increase of the carrying values of loans identified as PCD at the time of the acquisition. The Company's estimates of expected credit losses at December 31, 2022 reflect assumptions spurred by Federal Reserve initiatives to curb high rates of inflation that could lead to overall deterioration of economic conditions and, thus, credit quality during an eight-quarter forecast period. Risks considered included inflation, a projected rise in unemployment, reduction of economic growth projections, decreasing residential real estate prices as compared with 2021 and continued concerns about commercial real estate values in the hospitality, health care and office building sectors. Macroeconomic assumptions used to estimate credit losses on loans acquired from People's United at the April 1, 2022 acquisition date were consistent with those used by the

Company to estimate credit losses at March 31, 2022. The recapture of provision for credit losses in 2021 as compared with the provision for credit losses recorded in 2020 reflected economic assumptions and projections that considered the macroeconomic outlook associated with the COVID-19 pandemic in 2020 and subsequent recovery in 2021. The Company’s estimates of expected losses reflect the impacts of the pandemic and other factors on economic activity, generally, and concerns about commercial real estate values in the hospitality, health care and office building sectors.

Net charge-offs of loans were $160 million in 2022, $192 million in 2021 and $247 million in 2020. Net charge-offs as a percentage of average loans and leases outstanding were .13% in 2022, compared with .20% in 2021 and .26% in 2020. A summary of the Company’s loan charge-offs, provision and allowance for credit losses is presented in table 11 and in note 5 of Notes to Financial Statements.

**Table 11**

**LOAN CHARGE-OFFS, PROVISION AND ALLOWANCE FOR CREDIT LOSSES**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Allowance for credit losses beginning balance | $ 1,469,226 | $ 1,736,387 | $ 1,051,071 | $ 1,019,444 | $ 1,017,198 |
| Adoption of new accounting standard | — | — | 132,457 | — | — |
| Charge-offs during year | | | | | |
| Commercial, financial, leasing, etc. | 117,223 | 122,651 | 135,083 | 58,244 | 60,414 |
| Commercial real estate | 61,641 | 101,306 | 35,891 | 12,664 | 12,286 |
| Residential real estate | 11,783 | 10,904 | 10,283 | 12,711 | 15,345 |
| Consumer | 112,310 | 103,293 | 152,250 | 154,089 | 143,196 |
| Total charge-offs | 302,957 | 338,154 | 333,507 | 237,708 | 231,241 |
| Recoveries during year | | | | | |
| Commercial, financial, leasing, etc. | 58,772 | 41,082 | 15,765 | 24,581 | 27,903 |
| Commercial real estate | 24,829 | 30,651 | 4,550 | 3,936 | 21,037 |
| Residential real estate | 9,742 | 8,857 | 7,116 | 8,204 | 6,664 |
| Consumer | 49,719 | 65,403 | 58,935 | 56,614 | 45,883 |
| Total recoveries | 143,062 | 145,993 | 86,366 | 93,335 | 101,487 |
| Net charge-offs (a) | 159,895 | 192,161 | 247,141 | 144,373 | 129,754 |
| Allowance on acquired PCD loans | 99,000 | — | — | — | — |
| Provision for credit losses (b) | 517,000 | (75,000) | 800,000 | 176,000 | 132,000 |
| Allowance for credit losses ending balance | $ 1,925,331 | $ 1,469,226 | $ 1,736,387 | $ 1,051,071 | $ 1,019,444 |
| Net charge-offs as a percent of: | | | | | |
| Provision for credit losses | 30.93% | NM (c) | 30.89% | 82.03% | 98.30% |
| Average loans and leases, net of unearned discount | .13% | .20% | .26% | .16% | .15% |
| Allowance for credit losses as a percent of: | | | | | |
| Loans and leases, net of unearned discount, at year-end | 1.46% | 1.58% | 1.76% | 1.16% | 1.15% |
| Nonaccrual loans, at year-end | 78.96% | 71.32% | 91.71% | 109.13% | 114.08% |

(a) *For the year ended December 31,2022 net charge-offs do not reflect $33 million of charge-offs related to PCD loans acquired on April 1, 2022.*

(b) *Includes $242 million related to non-PCD acquired loans recorded on April 1, 2022.*

(c) *Not meaningful.*

Nonaccrual loans aggregated $2.44 billion at December 31, 2022, compared with $2.06 billion and $1.89 billion at December 31, 2021 and 2020, respectively. As a percentage of total loans and leases outstanding, nonaccrual loans represented 1.85% at December 31, 2022, compared with 2.22% and 1.92% at December 31, 2021 and 2020, respectively. Loans obtained in the acquisition of People's United that have been classified as nonaccrual totaled $572 million at December 31, 2022. The level of nonaccrual loans reflects the continuing impact of economic conditions on borrowers' abilities to make contractual payments on their loans, most notably commercial real estate loans in the hospitality, office and health care-related sectors. A summary of nonperforming assets and certain past due, renegotiated and impaired loan data and credit quality ratios is presented in table 12.

**Table 12**

**NONPERFORMING ASSET AND PAST DUE, RENEGOTIATED AND IMPAIRED LOAN DATA**

| December 31 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Nonaccrual loans | $ 2,438,435 | 2,060,083 | 1,893,299 | 963,112 | 893,608 |
| Real estate and other foreclosed assets | 41,375 | 23,901 | 34,668 | 85,646 | 78,375 |
| Total nonperforming assets | $ 2,479,810 | 2,083,984 | 1,927,967 | 1,048,758 | 971,983 |
| Accruing loans past due 90 days or more (a) | $ 491,018 | 963,399 | 859,208 | 518,728 | 222,527 |
| Government guaranteed loans included in totals above: | | | | | |
| Nonaccrual loans | $ 43,536 | 51,429 | 48,820 | 50,891 | 34,667 |
| Accruing loans past due 90 days or more (a) | 363,409 | 927,788 | 798,121 | 479,829 | 192,443 |
| Renegotiated loans | $ 422,186 | 230,408 | 238,994 | 234,424 | 245,367 |
| Acquired accruing loans past due 90 days or more (b) | N/A | N/A | N/A | 39,632 | 39,750 |
| Purchased impaired loans (c): | | | | | |
| Outstanding customer balance | N/A | N/A | N/A | 415,413 | 529,520 |
| Carrying amount | N/A | N/A | N/A | 227,545 | 303,305 |
| Nonaccrual loans to total loans and leases, net of unearned discount | 1.85% | 2.22% | 1.92% | 1.06% | 1.01% |
| Nonperforming assets to total net loans and leases and real estate and other foreclosed assets | 1.88% | 2.24% | 1.96% | 1.15% | 1.10% |
| Accruing loans past due 90 days or more (a) to total loans and leases, net of unearned discount | .37% | 1.04% | .87% | .57% | .25% |

(a) *Predominantly residential real estate loans. Prior to 2020, excludes loans acquired at a discount.*

(b) *Prior to 2020, loans acquired at a discount that were recorded at fair value at acquisition date. This category does not include purchased impaired loans that are presented separately.*

(c) *Prior to 2020, accruing loans acquired at a discount that were impaired at acquisition date and recorded at fair value.*

Accruing loans past due 90 days or more were $491 million or .37% of total loans and leases at December 31, 2022, $963 million or 1.04% at December 31, 2021 and $859 million or .87% at December 31, 2020. Accruing loans past due 90 days or more were predominantly residential real estate loans and included loans guaranteed by government-related entities of $363 million, $928 million and $798 million at December 31, 2022, 2021 and 2020, respectively. The lower balance at December 31, 2022 compared with December 31, 2021 and 2020 reflects residential real estate loans guaranteed by government-related entities receiving payment deferrals during the COVID-19 pandemic, but ineligible for treatment under the CARES act, that subsequently exited those arrangements and became less than 90 days past due. Guaranteed loans included one-to-four family residential mortgage loans serviced by the Company that were repurchased to reduce associated servicing costs, including a requirement to advance principal and interest payments that had not been received from individual mortgagors. Despite the loans being purchased by the Company, the insurance or guarantee by the applicable government-related entity remains in force. The outstanding principal balances of the repurchased loans included in the amounts noted above that are guaranteed by government-related entities totaled $294 million at December 31, 2022, $889 million at December 31, 2021 and $764 million at December 31, 2020. The remaining accruing loans past due 90 days or more not guaranteed by government-related entities were loans considered to be with creditworthy borrowers that were in the process of collection or renewal.

Loans that were 30-89 days past due were $1.8 billion at December 31, 2022, or 1.35% of total loans outstanding, compared with $846 million or .91% at December 31, 2021 and $662 million or

.67% at December 31, 2020. Loans subject to COVID-19 related payment deferrals were classified as current in accordance with regulatory guidance and, as a result, did not contribute to past due loan categories. Information about delinquent loans at December 31, 2022 and 2021 is included in note 4 of Notes to Financial Statements.

The direct and indirect effects of the COVID-19 pandemic resulted in a dramatic reduction in 2020 in economic activity that severely hampered the ability of some businesses and consumers to meet their repayment obligations. The CARES Act, in addition to providing financial assistance to both businesses and consumers, created a forbearance program for federally-backed mortgage loans, protected borrowers from negative credit reporting due to loan accommodations related to the pandemic, and provided financial institutions the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19. The banking regulatory agencies likewise issued guidance encouraging financial institutions to work prudently with borrowers who are, or may be, unable to meet their contractual payment obligations because of the effects of COVID-19. That guidance, with concurrence of the Financial Accounting Standards Board and provisions of the CARES Act, allowed modifications made on a good faith basis in response to COVID-19 to borrowers who were generally current with their payments prior to any relief, to not be treated as delinquent or as troubled debt restructurings. Modifications included payment deferrals (including extensions of maturity dates), covenant waivers and fee waivers. The Company worked with its customers affected by COVID-19 and granted modifications across many of its loan portfolios. To the extent that such modifications met the criteria previously described, such modifications were not classified as delinquent or as troubled debt restructurings. Loans for which payment deferrals were in effect totaled $19 million at December 31, 2022, compared with $1.2 billion and $3.8 billion at December 31, 2021 and 2020, respectively. At December 31, 2022 such loans were predominantly secured by residential real estate.

The Company also modified the terms of select loans in an effort to assist borrowers that were not related to the COVID-19 pandemic. If the borrower was experiencing financial difficulty and a concession was granted, the Company considered such modifications as troubled debt restructurings. Loan modifications included such actions as the extension of loan maturity dates and the lowering of interest rates and monthly payments. The objective of the modifications was to increase loan repayments by customers and thereby reduce net charge-offs. Information about modifications of loans that are considered troubled debt restructurings is included in note 4 of Notes to Financial Statements.

Residential real estate loans modified under specified loss mitigation programs prescribed by government guarantors that were not related to the COVID-19 pandemic have not been included in renegotiated loans because the loan guarantee remains in full force and, accordingly, the Company has not granted a concession with respect to the ultimate collection of the original loan balance. Such loans totaled $399 million and $425 million at December 31, 2022 and December 31, 2021, respectively.

Charge-offs of commercial loans and leases, net of recoveries, aggregated $58 million in 2022, $82 million in 2021 and $119 million in 2020. As a percentage of average commercial loans, those net charge-offs were .17%, .32%, and .43% in 2022, 2021 and 2020, respectively. Commercial loans and leases in nonaccrual status were $347 million at December 31, 2022, $221 million at December 31, 2021 and $307 million at December 31, 2020. Net charge-offs of commercial real estate loans totaled $37 million during 2022, compared with $71 million during 2021 and $31 million in 2020 or .08% in 2022, .19% in 2021 and .08% in 2020 of average commercial real estate loans. The net charge-offs of commercial loans and commercial real estate loans reflect the impact of economic conditions on borrowers' abilities to repay loans. In the commercial real estate portfolio, the higher net charge-offs in 2021 were mostly associated with the retail, office building and hospitality sectors. Commercial real estate loans classified as nonaccrual were $1.5 billion at December 31, 2022, $1.2 billion at December 31, 2021 and $891 million at December 31, 2020. Nonaccrual commercial real estate loans included construction-related loans of $126 million, $114 million and $115 million at the end of 2022, 2021 and

2020, respectively. Commercial loans and leases and commercial real estate loans acquired from People's United and classified as nonaccrual totaled $118 million and $401 million, respectively, at December 31, 2022. Hotel-related commercial real estate loans (including construction) in nonaccrual status at December 31, 2022, 2021, and 2020 were $512 million, $696 million, and $607 million, respectively.

Net charge-offs of residential real estate loans were $2 million in each of 2022 and 2021, and $3 million in 2020 representing .01% of average residential real estate loans in each of 2022 and 2021 compared with .02% in 2020. Residential real estate loans in nonaccrual status at December 31, 2022 were $350 million, compared with $479 million and $513 million at December 31, 2021 and 2020, respectively. Nonaccrual limited documentation first mortgage loans aggregated $78 million at December 31, 2022, compared with $123 million and $147 million at December 31, 2021 and 2020, respectively. Limited documentation first mortgage loans represent loans secured by residential real estate that at origination typically included some form of limited borrower documentation requirements as compared with more traditional loans. The Company no longer originates limited documentation loans. Residential real estate loans past due 90 days or more and accruing interest totaled $345 million at December 31, 2022, $920 million at December 31, 2021 and $793 million at December 31, 2020. A substantial portion of such amounts related to government-guaranteed loans. The lower balance at December 31, 2022 reflects improved borrower repayment performance. Information about the location of nonaccrual and charged-off residential real estate loans as of and for the year ended December 31, 2022 is presented in table 13.

**Table 13**

## SELECTED RESIDENTIAL REAL ESTATE-RELATED LOAN DATA

| | December 31, 2022 | | | Year Ended December 31, 2022 | |
|---|---|---|---|---|---|
| | | Nonaccrual | | Net Charge-offs (Recoveries) | |
| | Outstanding Balances | Balances | Percent of Outstanding Balances | Balances | Percent of Average Outstanding Balances |
| | (Dollars in thousands) | | | | |
| Residential mortgages: | | | | | |
| New York | $ 6,746,440 | $ 102,226 | 1.52% | $ 1,818 | .03% |
| Mid-Atlantic (a) | 6,709,208 | 91,235 | 1.36 | 615 | .01 |
| New England (b) | 6,308,974 | 57,631 | .91 | 403 | .01 |
| Other | 2,885,633 | 20,540 | .71 | (210) | (.01) |
| Total | $ 22,650,255 | $ 271,632 | 1.20% | $ 2,626 | .01% |
| Residential construction loans: | | | | | |
| New York | $ 21,115 | $ 176 | .83% | $ — | —% |
| Mid-Atlantic (a) | 16,675 | 282 | 1.69 | — | — |
| New England (b) | 13,833 | — | — | — | — |
| Other | 3,017 | — | — | — | — |
| Total | $ 54,640 | $ 458 | .84% | $ — | —% |
| Limited documentation first lien mortgages: | | | | | |
| New York | $ 482,967 | $ 33,036 | 6.84% | $ 95 | .02% |
| Mid-Atlantic (a) | 428,506 | 28,798 | 6.72 | 112 | .02 |
| New England (b) | 97,023 | 10,885 | 11.22 | (103) | (.10) |
| Other | 42,556 | 5,095 | 11.97 | (689) | (1.47) |
| Total | $ 1,051,052 | $ 77,814 | 7.40% | $ (585) | .05% |
| First lien home equity loans and lines of credit: | | | | | |
| New York | $ 987,075 | $ 16,706 | 1.69% | $ 615 | .08% |
| Mid-Atlantic (a) | 1,151,160 | 22,128 | 1.92 | 16 | — |
| New England (b) | 560,036 | 4,659 | .83 | (7) | — |
| Other | 15,839 | 1,151 | 7.27 | 43 | .01 |
| Total | $ 2,714,110 | $ 44,644 | 1.64% | $ 667 | .03% |
| Junior lien home equity loans and lines of credit: | | | | | |
| New York | $ 740,218 | $ 17,041 | 2.30% | $ (626) | (.11%) |
| Mid-Atlantic (a) | 887,073 | 16,876 | 1.90 | (1,027) | (.15) |
| New England (b) | 644,607 | 5,333 | .83 | (31) | (.01) |
| Other | 20,878 | 894 | 4.28 | (66) | — |
| Total | $ 2,292,776 | $ 40,144 | 1.75% | $ (1,750) | (.08%) |

*(a) Includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and the District of Columbia.*
*(b) Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.*

Net charge-offs of consumer loans aggregated $63 million in 2022, compared with $38 million in 2021 and $93 million in 2020. As a percentage of average consumer loans those net charge-offs were .32% in 2022, .22% in 2021 and .59% in 2020. Included in net charge-offs of consumer loans were: net charge-offs of automobile loans of $1 million in 2022 and $22 million in 2020, compared with net recoveries of $2 million in 2021; recreational finance loan net charge-offs of $21 million, $13 million and $27 million during 2022, 2021 and 2020, respectively; and net recoveries of home equity loans and lines of credit secured by one-to-four family residential properties of $1 million in 2022 and $3 million in 2021, compared with net charge-offs of $3 million in 2020. Net charge-offs associated with other consumer loans, including credit cards and installment loans, totaled $42 million, $30 million and $41 million in 2022, 2021 and 2020, respectively. The reduced level of net charge-offs of consumer loans in 2022 and 2021 as compared with 2020 reflects an improved economy, in general, and the level of prices associated with motor vehicles, recreational vehicles and residential real estate. Nonaccrual consumer loans were $218 million at December 31, 2022, compared with $177 million and $183 million at December 31, 2021 and 2020, respectively. Included in nonaccrual consumer loans at the 2022, 2021 and 2020 year-ends were: automobile loans of $40 million, $34 million and $39 million, respectively; recreational finance loans of $45 million, $28 million and $26 million, respectively; and outstanding balances of home equity loans and lines of credit of $85 million, $70 million and $79 million, respectively. Consumer loans acquired from People's United and classified as nonaccrual at December 31, 2022 totaled $17 million and consisted predominantly of home equity loans and lines of credit. Information about the location of nonaccrual and charged-off home equity loans and lines of credit as of and for the year ended December 31, 2022 is presented in table 13. Information about past due and nonaccrual loans as of December 31, 2022 and 2021 is also included in note 4 of Notes to Financial Statements.

Real estate and other foreclosed assets totaled $41 million at December 31, 2022, compared with $24 million at December 31, 2021 and $35 million at December 31, 2020. Net gains or losses associated with real estate and other foreclosed assets were not material in 2022, 2021 or 2020. At December 31, 2022, foreclosed assets were comprised predominantly of the Company’s holding of residential real estate-related properties.

In establishing the allowance for credit losses subsequent to December 31, 2019, the Company estimates losses attributable to specific troubled credits identified through both normal and targeted credit review processes and also estimates losses for other loans and leases with similar risk characteristics on a collective basis. For purposes of determining the level of the allowance for credit losses, the Company evaluates its loan and lease portfolio by type. At the time of the Company's analysis regarding the determination of the allowance for credit losses as of December 31, 2022, concerns existed about the somewhat incomplete recovery evident in some sectors of the economy; elevated levels of inflation; fears of a slowing economy and possible recession in 2023; the volatile nature of global markets and international economic conditions that could impact the U.S. economy; Federal Reserve positioning of monetary policy; downward pressures on commercial and residential real estate values; ongoing supply chain issues and wage pressures impacting commercial borrowers; the extent to which borrowers, in particular commercial real estate borrowers, may be negatively affected by pandemic-related and general economic conditions; and continued stagnant population and economic growth in the upstate New York and Pennsylvania regions (approximately 38% of the Company's loans and leases are to customers in New York State and Pennsylvania) that historically lag other regions of the country. The Company utilizes a loan grading system to differentiate risk amongst its commercial loans and commercial real estate loans. Loans with a lower expectation of default are assigned one of ten possible “pass” loan grades while specific loans determined to have an elevated level of credit risk are classified as “criticized.” A criticized loan may be classified as “nonaccrual” if the Company no longer expects to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more. In response to changed conditions stemming from the pandemic and other economic factors, the Company re-graded significant portions of its commercial loans and commercial real estate loans based on financial results and projections of specific borrowers. Criticized commercial loans and commercial real estate loans totaled $10.7 billion, including $2.5 billion of loans acquired from People's United, at December 31, 2022, compared with $9.0 billion at December 31, 2021 and $7.2 billion at December 31, 2020. Despite improved economic conditions during much of 2022 as compared with 2021, as pandemic-related restrictions continued to be lifted and consumer spending increased, the business climate continues to be subjected to inflationary pressures and supply chain constraints. The level of criticized loans remains reflective of the impact of current conditions on many borrowers, particularly those with investor-owned commercial real estate loans in the hotel, office and healthcare sectors. Investor-owned commercial real estate loans comprised $7.8 billion, or 74% of total criticized loans of $10.7 billion at December 31, 2022. The weighted-average loan-to-value (“LTV”) ratios for investor-owned commercial real estate properties was approximately 57%. Criticized loans secured by investor-owned commercial real estate had a weighted-average LTV ratio of approximately 65%.

Line of business personnel in different geographic locations with the support of the Company's credit risk personnel review and reassign loan grades based on their detailed knowledge of individual borrowers and their judgment of the impact on such borrowers resulting from changing conditions in their respective regions. The Company's policy is that, at least annually, updated financial information is obtained from commercial borrowers associated with pass grade loans and additional analysis performed. On a quarterly basis, the Company's centralized credit risk department reviews all criticized commercial loans and commercial real estate loans greater than $1 million to determine the appropriateness of the assigned loan grade, including whether the loan should be reported as accruing or nonaccruing. For criticized nonaccrual loans, additional meetings are held with loan officers and their managers, workout specialists and senior management to discuss each of the relationships. In analyzing criticized loans, borrower-specific information is reviewed, including operating results, future cash flows, recent developments and the borrower's outlook, and other pertinent data. The timing and extent of potential losses, considering collateral valuation and other factors, and the Company's potential courses of action are contemplated.

With regard to residential real estate loans, the Company's loss identification and estimation techniques make reference to loan performance and house price data in specific areas of the country where collateral securing the Company's residential real estate loans is located. For residential real estate-related loans, including home equity loans and lines of credit, the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. That charge-off is based on recent indications of value from external parties that are generally obtained shortly after a loan becomes nonaccrual. Loans to consumers that file for bankruptcy are generally charged off to estimated net collateral value shortly after the Company is notified of such filings. At December 31, 2022, approximately 54% of the Company's home equity portfolio consisted of first lien loans and lines of credit and 46% were junior liens. With respect to junior lien loans, to the extent known by the Company, if a senior lien loan would be on nonaccrual status because of payment delinquency, even if such senior lien loan was not owned by the Company, the junior lien loan or line that is owned by the Company is placed on nonaccrual status. In monitoring the credit quality of its home equity portfolio for purposes of determining the allowance for credit losses, the Company reviews delinquency and nonaccrual information and considers recent charge-off experience. When evaluating individual home equity loans and lines of credit for charge off and for purposes of determining the allowance for credit losses, the Company considers the required repayment of any first lien positions related to collateral property. Home equity line of credit terms vary but such lines are generally originated with an open draw period of ten years followed by an amortization period of up to twenty years. At December 31, 2022, approximately 86% of all outstanding balances of home equity lines of credit related to lines that were still in the draw period, the weighted-average remaining draw periods were approximately five years, and approximately 14% were making contractually allowed payments that do not include any repayment of principal.

Factors that influence the Company's credit loss experience include overall economic conditions affecting businesses and consumers, generally, but also residential and commercial real estate valuations, in particular, given the size of the Company's real estate loan portfolios. Commercial real estate valuations can be highly subjective, as they are based upon many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, and general economic conditions affecting consumers.

The Company generally estimates current expected credit losses on loans with similar risk characteristics on a collective basis. To estimate expected losses, the Company utilizes statistically developed models to project principal balances over the remaining contractual lives of the loan portfolios and determine estimated credit losses through a reasonable and supportable forecast period. The Company's approach for estimating current expected credit losses for loans and leases at December 31, 2022, 2021 and 2020 included utilizing macroeconomic assumptions to project losses over a two-year reasonable and supportable forecast period. Subsequent to the forecast period, the Company reverted to longer-term historical loss experience, over a period of one year, to estimate expected credit losses over the remaining contractual life. Forward-looking estimates of certain macroeconomic variables are determined by the M&T Scenario Development Group, which is comprised of senior management business leaders and economists. The assumptions utilized as of December 31, 2022 included an average national unemployment rate of 4.0% through the reasonable and supportable forecast period. The forecast also assumed gross domestic product grows at a 1.0% average rate during the first year of the reasonable and supportable forecast period followed by a 2.5% average rate in the second year. Commercial real estate prices were assumed to cumulatively grow 1.9% and residential real estate prices were assumed to contract 6.2% over the two-year reasonable and supportable forecast period. Among the assumptions utilized as of December 31, 2021 was that the national unemployment rate would average 4.6% through the first year of the reasonable and supportable forecast period before gradually improving to 3.7% in the latter half of 2023. The forecast also assumed gross domestic product grew during 2022 at a 3.1% annual rate and during 2023 at a 2.7% average rate. Commercial real estate and residential real estate prices were assumed to cumulatively grow 11.1% and 5.9%, respectively, over the two-year reasonable and supportable forecast period. The assumptions utilized in estimating the allowance for credit losses as of December 31, 2020 included an estimated unemployment rate averaging 6.9% through 2021 followed by a gradual return to long-term historical averages by the end of 2022. Gross domestic product was assumed to grow at a 4.1% annual rate during 2021 resulting in a return to pre-pandemic levels by the end of 2022. Commercial real estate prices were assumed to decline by approximately 6.8% in 2021, followed by improvement. Residential real estate prices were not assumed to fluctuate significantly. In most instances the actual macroeconomic conditions experienced in 2021 were favorable in comparison to the forecasts made at December 31, 2020. Such improvements contributed to the recapture of provision for credit losses during 2021 of $75 million. The assumptions utilized as of January 1, 2020 at the time of the adoption of the expected credit loss accounting standard anticipated unemployment rates that averaged under 4% and steady growth in gross domestic product of 3.3% over the eight-quarter forecast period. Forecasted changes in real estate prices as of that date were not significant. The assumptions utilized were based on information available to the Company at or near December 31, 2022, 2021, 2020 and January 1, 2020 (at the time the Company was preparing its estimate of expected credit losses as of those dates).

In establishing the allowance for credit losses the Company also considers the impact of portfolio concentrations, imprecision in economic forecasts, geopolitical conditions and other risk factors that influence its loss estimation process. With respect to economic forecasts, the Company assessed the likelihood of alternative economic scenarios during the two-year reasonable and supportable time period. Generally, an increase in unemployment rate or a decrease in any of the rate of change in gross domestic product, commercial real estate prices or home prices could have an adverse impact on expected credit losses and may result in an increase in the allowance for credit losses. Forward looking economic forecasts are subject to inherent imprecision and future events may differ materially from forecasted events. In consideration of such uncertainty, the following alternative economic scenarios were considered to estimate the possible impact on modeled credit losses.

A potential downside economic scenario assumed the unemployment rate averages 7.1% in the reasonable and supportable forecast period. The scenario also assumed gross domestic product contracts 2.3% in the first year of the reasonable and supportable forecast period before recovering to 1.7% growth in the second year and commercial real estate and residential real estate prices cumulatively decline 20.1% and 14.3%, respectively, by the end of the reasonable and supportable forecast period.

A potential upside economic scenario assumed the unemployment rate declines to approximately 3.5% for the duration of the reasonable and supportable forecast period. The scenario also assumes gross domestic product grows 3.4% in the initial year of the reasonable and supportable forecast period and 2.5% in the second year while commercial real estate prices cumulatively rise 6.6% and residential real estate prices cumulatively contract 0.2% over the two-year reasonable and supportable forecast period.

The scenario analyses resulted in an additional $404 million of modeled credit losses under the assumptions of the downside economic scenario, whereas under the assumptions of the upside economic scenario a $176 million reduction in modeled credit losses could occur. These examples are only a few of the numerous possible economic scenarios that could be utilized in assessing the sensitivity of expected credit losses. The estimated impacts on credit losses in such scenarios pertain only to modeled credit losses and do not include consideration of other factors the Company may evaluate when determining its allowance for credit losses.

As a result, it is possible that the Company may, at another point in time, reach different conclusions regarding credit loss estimates. The Company's process for determining the allowance for credit losses undergoes quarterly and periodic evaluations by independent risk management personnel, which among many other considerations, evaluate the reasonableness of management's methodology and significant assumptions. Further information about the Company's methodology to estimate expected credit losses is included in note 5 of Notes to Financial Statements.

Prior to 2020, the allowance for credit losses represented the amount that in management's judgment reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. The allowance was determined by management's evaluation of the loan and lease portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the current economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The estimation of the allowance for credit losses prior to 2020 did not consider reasonable and supportable forecasts that could have affected the collectability of the reported amounts.

A comparative allocation of the allowance for credit losses for each of the past five year-ends is presented in table 14. Amounts were allocated to specific loan categories based on information available to management at the time of each year-end assessment and using the methodologies described herein. Variations in the allocation of the allowance by loan category as a percentage of those loans reflect the impact of the new accounting rules effective January 1, 2020 as well as changes in management's estimate of credit losses in light of economic developments. Furthermore, the Company's allowance is general in nature and is available to absorb losses from any loan or lease category. Additional information about the allowance for credit losses is included in note 5 of Notes to Financial Statements.

**Table 14**
**ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES TO LOAN CATEGORIES**

| December 31 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Commercial, financial, leasing, etc. | $ 502,153 | $ 283,899 | $ 405,846 | $ 366,094 | $ 330,055 |
| Commercial real estate | 676,684 | 557,239 | 670,719 | 322,201 | 341,655 |
| Residential real estate | 115,092 | 71,726 | 103,590 | 56,033 | 69,125 |
| Consumer | 631,402 | 556,362 | 556,232 | 229,118 | 200,564 |
| Unallocated | — | — | — | 77,625 | 78,045 |
| Total | $1,925,331 | $1,469,226 | $1,736,387 | $1,051,071 | $ 1,019,444 |
| **As a Percentage of Loans and Leases Outstanding, Net of Unearned Discount** | | | | | |
| Commercial, financial, leasing, etc. | 1.20% | 1.21% | 1.47% | 1.54% | 1.44% |
| Commercial real estate | 1.49 | 1.57 | 1.78 | .91 | .99 |
| Residential real estate | .48 | .45 | .62 | .35 | .40 |
| Consumer | 3.07 | 3.10 | 3.36 | 1.49 | 1.44 |
| Total | 1.46 | 1.58 | 1.76 | 1.16 | 1.15 |

Management believes that the allowance for credit losses at December 31, 2022 appropriately reflected expected credit losses inherent in the portfolio as of that date. The allowance for credit losses totaled $1.93 billion at December 31, 2022, $1.47 billion at December 31, 2021 and $1.74 billion at December 31, 2020. The allowance for credit losses was $1.18 billion at January 1, 2020 when the current expected credit loss guidance became effective. As a percentage of loans outstanding, the allowance was 1.46% at December 31, 2022, 1.58% at December 31, 2021 and 1.76% at December 31, 2020. Using the same methodology as described herein, the Company added $341 million to the allowance for credit losses related to the $35.8 billion of loans and leases obtained in the acquisition of People's United on April 1, 2022. The combined Company allowance for credit losses at April 1, 2022 as a percentage of loans and leases outstanding was 1.42%. The level of the allowance reflects management's evaluation of the loan and lease portfolio using the methodology and considering the factors as described herein. Should the various economic forecasts and credit factors considered by management in establishing the allowance for credit losses change and should management's assessment of losses in the loan portfolio also change, the level of the allowance as a percentage of loans could increase or decrease in future periods. The reported level of the allowance reflects management's evaluation of the loan and lease portfolio as of each respective date.

The ratio of the allowance for credit losses to total nonaccrual loans at the end of 2022, 2021 and 2020 was 79%, 71% and 92%, respectively. Given the Company's general position as a secured lender and its practice of charging off loan balances when collection is deemed doubtful, that ratio and changes in the ratio are generally not an indicative measure of the adequacy of the Company's allowance for credit losses, nor does management rely upon that ratio in assessing the adequacy of the Company's allowance for credit losses.

The Company had no concentrations of credit extended to any specific industry that exceeded 10% of total loans at December 31, 2022, however residential real estate loans comprised approximately 18% of the loan portfolio. Outstanding loans to foreign borrowers aggregated $319 million at December 31, 2022, or .24% of total loans and leases.

**Other Income**

Other income totaled $2.36 billion in 2022, up from $2.17 billion and $2.09 billion in 2021 and 2020, respectively. The growth in 2022 as compared with 2021 reflects revenues associated with the acquired operations of People's United (predominantly increases reflected in trust income, service charges on deposit accounts and other revenues from operations, including credit-related fees), the $136 million gain on sale of MTIA and higher trust income from legacy operations. Those increases were partially offset by lower mortgage banking revenues and a planned reduction in insufficient funds fees reflected in service charges on deposit accounts. The acquisition of People's United contributed approximately $200 million to other income in the last three quarters of 2022. The rise in other income from 2020 to 2021 was largely attributable to higher trust income, service charges on deposit accounts, brokerage services income, merchant discount and credit card fees and letter of credit and other credit-related fees, partially offset by lower trading account and non-hedging derivative gains, higher valuation losses on investment securities and a decline in the level of distributions from BLG.

Mortgage banking revenues aggregated $357 million in 2022, $571 million in 2021 and $567 million in 2020. Mortgage banking revenues are comprised of both residential and commercial mortgage banking activities. The Company’s involvement in commercial mortgage banking activities includes the origination, sales and servicing of loans under the multifamily loan programs of Fannie Mae, Freddie Mac and the U.S. Department of Housing and Urban Development.

Residential mortgage banking revenues, consisting of realized gains from sales of residential real estate loans and loan servicing rights, unrealized gains and losses on residential real estate loans held for sale and related commitments, residential real estate loan servicing fees, and other residential real estate loan-related fees and income, were $235 million in 2022, $406 million in 2021 and $424 million in 2020. The decline in residential mortgage banking revenues in 2022 as compared with 2021 and 2020 reflects the Company's decision late in the third quarter of 2021 to originate the majority of its residential real estate loans for retention in its loan portfolio rather than for sale.

New commitments to originate residential real estate loans to be sold were approximately $314 million in 2022, compared with $3.9 billion in 2021 and $4.5 billion in 2020. Realized gains from sales of residential real estate loans and loan servicing rights and recognized net unrealized gains or losses attributable to residential real estate loans held for sale, commitments to originate loans for sale and commitments to sell loans aggregated to a loss of $2 million in 2022, compared with gains of $164 million in 2021 and $191 million in 2020. The Company expects to return to originating for sale the majority of its newly committed residential mortgage loans in the first quarter of 2023.

Loans held for sale that were secured by residential real estate totaled $32 million and $474 million at December 31, 2022 and 2021, respectively. Commitments to sell residential real estate loans and commitments to originate residential real estate loans for sale at pre-determined rates totaled $53 million and $31 million, respectively, at December 31, 2022, $617 million and $233 million, respectively, at December 31, 2021 and $1.47 billion and $1.03 billion, respectively, at December 31, 2020. Net recognized unrealized losses on residential real estate loans held for sale, commitments to sell loans and commitments to originate loans for sale were $1 million at December 31, 2022, compared with net recognized unrealized gains of $10 million at December 31, 2021 and $52 million at December 31, 2020. Changes in such net unrealized gains are recorded in mortgage banking revenues and resulted in net decreases of $11 million and $16 million in 2022 and 2021, respectively, and a net increase of $40 million in 2020.

Revenues from servicing residential real estate loans for others totaled $237 million in 2022 compared with $242 million in 2021 and $233 million in 2020. Residential real estate loans serviced for others aggregated $118.4 billion at December 31, 2022, $97.9 billion at December 31, 2021 and $94.4 billion at December 31, 2020. Reflected in residential real estate loans serviced for others were loans sub-serviced for others of $96.0 billion, $74.7 billion and $68.1 billion at December 31, 2022, 2021 and 2020, respectively. Revenues earned for sub-servicing loans totaled $154 million in 2022, compared with $153 million in 2021 and $129 million in 2020. The contractual servicing rights associated with loans sub-serviced by the Company were predominantly held by affiliates of BLG. Information about the Company's relationship with BLG and its affiliates is included in note 25 of Notes to Financial Statements.

Capitalized residential mortgage servicing assets totaled $194 million at December 31, 2022, compared with $217 million and $201 million at December 31, 2021 and 2020, respectively. Additional information about the Company's capitalized residential mortgage servicing assets, including information about the calculation of estimated fair value, is presented in note 7 of Notes to Financial Statements.

Commercial mortgage banking revenues totaled $122 million in 2022, compared with $165 million in 2021 and $143 million in 2020. Included in such amounts were revenues from loan origination and sales activities of $54 million in 2022, $89 million in 2021 and $84 million in 2020. The level of loan origination and sales activities revenues in 2022 as compared with 2021 and 2020 reflects lower volumes of commercial real estate loans originated for sale. Commercial real estate loans originated for sale to other investors totaled approximately $3.1 billion in 2022, compared with $4.0 billion in 2021 and $3.4 billion in 2020. Loan servicing revenues totaled $68 million in 2022, $76 million in 2021 and $59 million in 2020. The higher servicing revenues in 2021 were reflective of fees received from customers who repaid loans prior to maturity. Capitalized commercial mortgage servicing assets were $126 million at December 31, 2022 and $133 million at each of December 31, 2021 and 2020. Commercial real estate loans serviced for other investors totaled $26.0 billion at December 31, 2022, $23.7 billion at December 31, 2021 and $22.2 billion at December 31, 2020, and included $3.9 billion at December 31, 2022 and $4.0 billion at each of December 31, 2021 and 2020 of loan balances for which investors had recourse to the Company if such balances are ultimately uncollectable. Included in commercial real estate loans serviced for others were loans sub-serviced for others of $3.8 billion at December 31, 2022, $3.5 billion at December 31, 2021 and $3.3 billion at December 31, 2020. Commitments to sell commercial real estate loans and commitments to originate commercial real estate loans for sale aggregated $480 million and $349 million, respectively, at December 31, 2022, $751 million and $325 million, respectively, at December 31, 2021 and $641 million and $364 million, respectively, at December 31, 2020. Commercial real estate loans held for sale were $131 million, $425 million and $278 million at December 31, 2022, 2021 and 2020, respectively. The fluctuation in balances of commercial real estate loans held for sale at December 31, 2022, 2021 and 2020 reflects the timing of loans originated later in each year that had not been delivered to investors by year end.

Service charges on deposit accounts totaled $447 million in 2022, compared with $402 million in 2021 and $371 million in 2020. The increase in 2022 from 2021 reflects fees associated with the acquisition of People's United of $70 million and increased consumer activity, reduced by lower overdraft-related fees of approximately $40 million that reflect the Company's planned elimination, announced in February 2022, of certain non-sufficient funds fees and overdraft protection transfer charges from linked deposit accounts beginning in the second quarter of 2022. The Company also waived certain fees in the third and fourth quarters of 2022 following the conversion to the Company's deposit servicing system of People's United acquired customer deposit accounts in early September 2022. The impact of such temporary waivers was not material. The higher service charges in 2021 as compared with 2020 reflect increased consumer service charges, predominantly resulting from a reduction in COVID-19 related fee waivers and higher customer transaction activity.

Trust income includes fees related to two significant businesses. The Institutional Client Services ("ICS") business provides a variety of trustee, agency, investment management and administrative services for corporations and institutions, investment bankers, corporate tax, finance and legal executives, and other institutional clients who: (i) use capital markets financing structures; (ii) use independent trustees to hold retirement plan and other assets; and (iii) need investment and cash management services. The Wealth Advisory Services ("WAS") business offers personal trust, planning, fiduciary, asset management, family office and other services designed to help high net worth individuals and families grow, preserve and transfer wealth. Trust income aggregated $741 million in 2022, compared with $645 million in 2021 and $602 million in 2020. Trust income contributed from the acquisition of People's United totaled approximately $35 million in 2022. Revenues associated with the ICS business were $442 million in 2022 inclusive of $4 million of People's United-related revenue, compared with $375 million in 2021 and $342 million in 2020. The higher revenues in 2022 compared with 2021 were largely attributable to reduced fee waivers of $31 million resulting from higher rates on money market fund accounts and incremental fees from sales. As compared with 2020, ICS revenues in 2021 reflect sales activities and increased retirement services income resulting from growth in collective fund balances. Revenues generated by the Company's WAS business, inclusive of $27 million associated with People's United, totaled $290 million in 2022, up from $255 million in 2021 and $233 million in 2020. As compared with 2021, in addition to the impact of the People's United acquisition, WAS revenues in 2022 reflect reduced money market fee waivers of $6 million and sales activity partially offset by adverse market conditions in the equity markets. As compared with 2020, WAS revenue in 2021 reflected an increase related to equity market performance partially offset by fee waivers resulting from a low interest rate environment in 2021. Trust assets under management were $165.2 billion and $165.6 billion at December 31, 2022 and 2021, respectively. Trust assets under management include the Company's proprietary mutual funds' assets of $13.0 billion at December 31, 2022 and $13.2 billion at December 31, 2021. Additional trust income from investment management activities was $9 million in 2022, compared with $15 million and $27 million in 2021 and 2020, respectively, and includes fees earned from retail customer investment accounts. Lower trust income from investment management activities in 2022 reflects the full-year impact of a change in June 2021 of product delivery to retail brokerage and certain trust customers related to the LPL Financial relationship described herein resulting in revenues previously recognized in trust income to be recorded as brokerage services income, partially offset by People's United-related revenue.

In December 2022 Wilmington Trust, N.A. (a subsidiary of M&T) announced the sale of its Collective Investment Trust business to a private equity firm. That sale is expected to close in the first half of 2023. Revenues associated with that business and included in ICS trust income revenues described herein totaled approximately $165 million, $151 million and $105 million during 2022, 2021, and 2020, respectively. After considering expenses, the results of operations of that business were not material to M&T's net income in those years.

Brokerage services income, which includes revenues from the sale of mutual funds and annuities and securities brokerage fees and, since June 2021, sales of select investment products of LPL Financial (as described below), totaled $88 million in 2022, compared with $63 million in 2021 and $47 million in 2020. The increase in brokerage services income in 2022 reflects the acquisition of People's United and the full-year impact of a change in June 2021 in product delivery to retail brokerage and certain trust customers related to the LPL Financial relationship. Revenues associated with the sale of investment products of LPL Financial, an independent financial services broker, are included in "brokerage services income." Prior to the transition to LPL Financial's product platform, revenues earned by the Company from providing those customers with proprietary trust products managed by the Company were reported as trust income. Trading account and non-hedging derivative activity resulted in gains of $27 million in 2022, $24 million in 2021 and $41 million in 2020. The modest increase in 2022 as compared with 2021 reflects higher revenues from interest rate swap agreements and foreign exchange transactions with commercial customers, offset by declines in the value of assets held in connection with deferred compensation and other non-qualified benefit plans. The lower gains in 2021 as compared with 2020 resulted predominantly from decreased activity related to interest rate swap agreements with commercial customers. The Company enters into interest rate swap agreements and foreign exchange contracts with customers who need such services and concomitantly enters into offsetting trading positions with third parties to minimize the risks involved with these types of transactions. Information about the notional amount of interest rate, foreign exchange and other non-hedging contracts entered into by the Company is included in note 19 of Notes to Financial Statements and herein under the heading "Liquidity, Market Risk, and Interest Rate Sensitivity."

The Company recognized net losses on investment securities of $6 million, $21 million and $9 million in 2022, 2021 and 2020, respectively. Those losses reflect unrealized losses on investments in Fannie Mae and Freddie Mac preferred stock and other equity securities.

Other revenues from operations totaled $704 million (including $88 million associated with the acquisition of People's United) in 2022, compared with $483 million in 2021 and $471 million in 2020. In addition to the revenues associated with the People's United acquisition, the higher revenues in 2022 compared with 2021 resulted from the $136 million gain on the sale of MTIA and an increase in merchant discount and credit card fees driven by increased commercial and consumer spending, partially offset by decreases in insurance income reflecting the sale of MTIA and tax-exempt income from bank owned life insurance. Comparing 2021 with 2020, higher merchant discount, credit card interchange and letter of credit and credit-related fees, largely loan syndication fees, were partially offset by lower income received from BLG during 2021.

Included in other revenues from operations were the following significant components. A $136 million gain on the sale of MTIA was recorded in the fourth quarter of 2022. Letter of credit and other credit-related fees totaled $165 million, $128 million and $109 million in 2022, 2021 and 2020, respectively. The rising level of such fees since 2020 resulted largely from higher loan syndication fees and, in 2022, the impact of acquired operations from the People's United transaction. Revenues from merchant discount and credit card fees were $169 million in 2022, $140 million in 2021 and $111 million in 2020. In addition to the impact of the People's United acquisition in 2022, the higher level of such revenues in 2022 and 2021 resulted from increased customer transaction activity reflecting lessened pandemic-related restrictions on business and customer activity. Tax-exempt income earned from bank owned life insurance, which includes increases in the cash surrender value of life insurance policies and benefits received, aggregated $44 million in 2022, $47 million in 2021 and $48 million in 2020. The Company owns both general account and separate account policies. To the extent market conditions change such that the market value of assets in a separate account bank owned life insurance policy becomes less than the previously recorded cash surrender value, an adjustment is recorded as a reduction to "other revenues from operations." The increase in interest rates during 2022 led to reductions of the market values of assets in some separate account bank owned life insurance policies below previously recorded cash surrender value. Those reductions in recognized cash surrender value were not material, but are, nevertheless, recognized as a reduction of revenues. Insurance-related sales commissions and other revenues totaled $48 million in each of 2022 and 2020, compared with $47 million in 2021. Automated teller machine usage fees aggregated $11 million in each of 2022 and 2021, up from $9 million in 2020.

M&T's investment in BLG resulted in cash distributions declared and paid by BLG that are included in "other revenues from operations" of $30 million in each of 2022 and 2021, compared with $53 million in 2020. During 2017, the operating losses of BLG resulted in M&T reducing the carrying value of its investment in BLG to zero. Subsequently, M&T has received cash distributions when declared by BLG that result in the recognition of income by M&T. M&T expects cash distributions from BLG in the future, but the timing and amount of those distributions cannot be estimated. BLG is entitled to receive distributions from its affiliates that provide asset management and other services that are available for distribution to BLG's owners, including M&T. Information about the Company's relationship with BLG and its affiliates is included in note 25 of Notes to Financial Statements.

**Other Expense**

Other expense totaled $5.05 billion in 2022, compared with $3.61 billion in 2021 and $3.39 billion in 2020. Included in those amounts are expenses considered to be "nonoperating" in nature consisting of amortization of core deposit and other intangible assets of $56 million, $10 million and $15 million in 2022, 2021 and 2020, respectively, and merger-related expenses of $338 million and $44 million in 2022 and 2021, respectively. No merger-related expenses were incurred in 2020. Exclusive of those nonoperating expenses, noninterest operating expenses aggregated $4.66 billion in 2022, $3.56 billion in 2021 and $3.37 billion in 2020. Approximately three-fourths of the increase in 2022 from 2021 is attributable to operating expenses associated with the acquisition of People's United. A $135 million contribution to The M&T Charitable Foundation in the fourth quarter of 2022 and higher salaries and benefits expense were other factors contributing to the rise in noninterest operating expenses in 2022 as compared with 2021. The higher level of noninterest operating expenses in 2021 as compared with 2020 reflected increased costs for salaries and employee benefits (predominantly incentive compensation), outside data processing and software, FDIC assessments, and professional services expenses.

Salaries and employee benefits expense aggregated $2.79 billion in 2022, compared with $2.05 billion and $1.95 billion in 2021 and 2020, respectively. Excluding nonoperating expenses, predominantly severance and related costs, salaries and employee benefits expense aggregated $2.69 billion in 2022. The higher level of operating expenses in 2022 as compared with 2021 reflect higher staffing levels, including the addition of People's United employees at the beginning of the second quarter, higher salaries resulting from merit increases and a rise in incentive compensation. Stock-based compensation totaled $111 million in 2022, compared with $85 million in 2021 and $80 million in 2020. The number of full-time equivalent employees were 22,509 at December 31, 2022, compared with 17,421 and 17,076 at December 31, 2021 and 2020, respectively. The increase in staffing levels since December 31, 2021 was predominantly the result of the acquisition of People's United.

The Company provides pension and other postretirement benefits for its employees, including pension, retirement savings and post-retirement benefit plans. Expenses related to such benefits totaled $62 million in 2022, $128 million in 2021 and $118 million in 2020. The amounts recorded in salaries and employee benefits expense and other costs of operations, respectively, from the preceding sentence were as follows: $149 million and ($87 million) in 2022; $125 million and $3 million in 2021; $118 million and less than $1 million in 2020. The Company sponsors both defined benefit and defined contribution pension plans. Pension expense for those plans was a net benefit of $23 million in 2022, compared with expense of $68 million in 2021 and $60 million in 2020. Components of pension expense included in other costs of operations reflect the amortization of net unrecognized gains and losses included in accumulated other comprehensive income. Prior to 2022, such net unrecognized gains and losses were amortized over the average remaining service periods of active participants in the plan. If all or substantially all of the plan's participants are inactive, GAAP provides for the average remaining life expectancy of the participants to be used instead of average remaining service periods. Substantially all of the participants in the Company's qualified defined benefit pension plan were inactive and, beginning in 2022, the average remaining life expectancy was utilized to amortize the net unrecognized gains and losses of the Plan. The change increased the amortization period by approximately sixteen years beginning in 2022 and, accordingly, reduced the amount of amortization of unrecognized losses recorded in the 2022 net periodic pension expense that otherwise would have been recorded by approximately $36 million. Information about the Company's pension plans, including significant assumptions utilized in completing actuarial calculations for the plans, is included in note 13 of Notes to Financial Statements.

The Company's retirement savings plan ("RSP") is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. Including the impact of employees associated with the People's United acquisition, RSP expense reflecting the Company's employer matching contribution increased to $84 million in 2022, compared with $63 million in 2021 and $62 million in 2020.

Excluding the nonoperating expense items already noted, nonpersonnel operating expenses were $1.97 billion in 2022, $1.51 billion in 2021 and $1.42 billion in 2020. Approximately 70% of the increase in 2022 as compared with 2021 can be attributed to People's United-related nonpersonnel operating expenses. Other factors contributing to the year-over-year increase were higher charitable contributions and outside data processing and software expenses, partially offset by lower defined benefit pension-related expenses included in other costs of operations. The increase in nonpersonnel operating expenses in 2021 as compared with 2020 reflects a rise in expenditures for outside data processing and software, FDIC assessments and professional services, partially offset by a reduction in the valuation allowance for capitalized mortgage servicing rights as compared with an increase in 2020. On October 18, 2022, the FDIC finalized a rule that increases initial base deposit insurance assessment rates by 2 basis points, beginning with the first quarterly assessment period of 2023. The Company expects that regulatory change could increase FDIC assessments by approximately $35 million in 2023.

**Income Taxes**

The provision for income taxes was $619 million in 2022, $596 million in 2021 and $416 million in 2020. The effective tax rates were 23.7% in 2022, 24.3% in 2021 and 23.5% in 2020. The effective tax rate is affected by the level of income earned that is exempt from tax relative to the overall level of pre-tax income, the level of income allocated to the various state and local jurisdictions where the Company operates, because tax rates differ among such jurisdictions, and the impact of any large discrete or infrequently occurring items. The Company's effective tax rate in future periods will also be affected by any change in income tax laws or regulations and interpretations of income tax regulations that differ from the Company's interpretations by any of the various tax authorities that may examine tax returns filed by M&T or any of its subsidiaries. Information about amounts accrued for uncertain tax positions and a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to pre-tax income is provided in note 14 of Notes to Financial Statements.

**International Activities**

Assets and revenues associated with international activities represent less than 1% of the Company's consolidated assets and revenues. International assets included $319 million and $197 million of loans to foreign borrowers at December 31, 2022 and 2021, respectively. Loans at M&T Bank's commercial banking office in Ontario, Canada included in international assets as of December 31, 2022 and 2021 totaled $284 million and $153 million, respectively. Deposits at that office were $34 million and $32 million at December 31, 2022 and 2021, respectively. The Company also offers trust-related services in Europe. Revenues from providing such services were approximately $36 million in each of 2022 and 2020, compared with $38 million in 2021.

**Liquidity, Market Risk, and Interest Rate Sensitivity**

As a financial intermediary, the Company is exposed to various risks, including liquidity and market risk. Liquidity refers to the Company's ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future obligations, including demands for loans and deposit withdrawals, funding operating costs, and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ.

The most significant source of funding for the Company is core deposits, which are generated from a large base of consumer, corporate and institutional customers. That customer base has, over the past several years, become more geographically diverse as a result of expansion of the Company's businesses. Nevertheless, the Company faces competition in offering products and services from a large array of financial market participants, including banks, thrifts, mutual funds, securities dealers and others. Core deposits financed 85% of the Company's earning assets at December 31, 2022, compared with 90% at December 31, 2021 and 88% at December 31, 2020.

The Company supplements funding provided through core deposits with various short-term and long-term wholesale borrowings, including overnight federal funds purchased, short-term advances from the FHLB of New York, brokered deposits and longer-term borrowings. At December 31, 2022, M&T Bank had short-term and long-term credit facilities with the FHLBs aggregating $23.1 billion. Outstanding borrowings under FHLB credit facilities totaled $3.2 billion at December 31, 2022 and $2 million at December 31, 2021. Such borrowings were secured by loans and investment securities. M&T Bank had an available line of credit with the FRB of New York that totaled approximately $14.3 billion at December 31, 2022. The amount of that line is dependent upon the balances of loans and securities pledged as collateral. There were no borrowings outstanding under such line of credit at December 31, 2022 and 2021. Senior notes issued and outstanding totaled $2.5 billion at December 31, 2022 and $2.4 billion at December 31, 2021. In November 2022 M&T Bank issued $500 million of fixed rate senior notes that pay a rate of 5.4% semi-annually and mature in November 2025. In August 2022 M&T issued $500 million of senior notes that mature in August 2028 and pay a fixed rate of 4.553% semi-annually until August 2027 after which the SOFR plus 1.78% will be paid quarterly until maturity. In April 2022, M&T Bank redeemed $650 million of fixed rate senior notes that were due to mature on May 18, 2022. During May 2022, $250 million of variable rate senior notes of M&T Bank matured. As of April 1, 2022, long-term borrowings assumed in the People's United acquisition totaled $494 million and included $483 million of fixed-rate subordinated notes and $11 million of FHLB advances. In January 2023 M&T issued $1.0 billion of fixed rate to floating rate senior notes that mature in January 2034 and M&T Bank issued $1.3 billion and $1.2 billion of fixed rate senior notes that mature in January 2026 and January 2028, respectively.

The Company has, from time to time, issued subordinated capital notes and junior subordinated debentures associated with trust preferred securities to provide liquidity and enhance regulatory capital ratios. Those borrowings are generally considered Tier 2 capital and are includable in total regulatory capital. Information about the Company's borrowings is included in note 9 of Notes to Financial Statements.

The Company has also benefited from the placement of brokered deposits. The Company has brokered savings and interest-bearing checking deposit accounts that aggregated $3.8 billion and $3.2 billion at December 31, 2022 and 2021, respectively. Brokered time deposits totaled $4.1 billion at December 31, 2022. There were no brokered time deposits outstanding at December 31, 2021.

The Company's ability to obtain funding from these sources could be negatively impacted should the Company experience a substantial deterioration in its financial condition or its debt ratings, or should the availability of short-term funding become restricted due to a disruption in the financial markets. The Company attempts to quantify such credit-event risk by modeling scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. Such impact is estimated by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. Information about the credit ratings of M&T and M&T Bank is presented in table 15. Additional information regarding the terms and maturities of all of the Company's short-term and long-term borrowings is provided in note 9 of Notes to Financial Statements. In addition to deposits and borrowings, other sources of liquidity include maturities of investment securities and other earning assets, repayments of loans and investment securities, and cash generated from operations, such as fees collected for services.

**Table 15**

## DEBT RATINGS

| | Moody's | Standard and Poor's | Fitch |
|---|---|---|---|
| M&T Bank Corporation | | | |
| Senior debt | A3 | BBB+ | A |
| Subordinated debt | A3 | BBB | A- |
| M&T Bank | | | |
| Short-term deposits | Prime-1 | A-2 | F1 |
| Long-term deposits | Aa3 | A- | A+ |
| Senior debt | A3 | A- | A |
| Subordinated debt | A3 | BBB+ | A- |

Certain customers of the Company obtain financing through the issuance of variable rate demand bonds ("VRDBs"). The VRDBs are generally enhanced by letters of credit provided by M&T Bank. M&T Bank oftentimes acts as remarketing agent for the VRDBs and, at its discretion, may from time-to-time own some of the VRDBs while such instruments are remarketed. When this occurs, the VRDBs are classified as trading account assets in the Company's consolidated balance sheet. Nevertheless, M&T Bank is not contractually obligated to purchase the VRDBs. The value of VRDBs in the Company's trading account was not material at December 31, 2022 or December 31, 2021. The total amount of VRDBs outstanding backed by M&T Bank letters of credit was $604 million and $662 million at December 31, 2022 and 2021, respectively. M&T Bank also serves as remarketing agent for most of those bonds.

**Table 16**

## MATURITY DISTRIBUTION OF LOANS AND LEASES (a)

| December 31, 2022 | Demand | 2023 | 2024 - 2027 | 2028 - 2037 | After 2037 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Commercial, financial, leasing, etc. | $ 7,759,439 | $ 9,159,466 | $22,594,918 | $ 2,228,022 | $ 184,784 |
| Commercial real estate | 106,008 | 15,541,094 | 23,423,257 | 4,731,726 | 119,095 |
| Residential real estate | 6,510 | 1,119,155 | 3,720,803 | 8,653,364 | 9,903,512 |
| Consumer | 585,438 | 1,817,583 | 6,612,916 | 6,914,232 | 4,430,311 |
| Total | $ 8,457,395 | $27,637,298 | $56,351,894 | $22,527,344 | $14,637,702 |
| Floating or adjustable interest rates: | | | | | |
| Commercial, financial, leasing, etc. | | | $15,522,770 | $ 888,419 | $ 12,126 |
| Commercial real estate | | | 18,239,874 | 3,052,566 | 76,222 |
| Residential real estate | | | 1,038,390 | 2,710,252 | 3,677,101 |
| Consumer | | | 921,124 | 381,460 | 3,287,264 |
| Fixed or predetermined interest rates: | | | | | |
| Commercial, financial, leasing, etc. | | | 7,072,148 | 1,339,603 | 172,658 |
| Commercial real estate | | | 5,183,383 | 1,679,160 | 42,873 |
| Residential real estate | | | 2,682,413 | 5,943,112 | 6,226,411 |
| Consumer | | | 5,691,792 | 6,532,772 | 1,143,047 |
| Total | | | $56,351,894 | $22,527,344 | $14,637,702 |

*(a) The data reflects contractual paydowns, but excludes nonaccrual loans.*

The Company enters into contractual obligations in the normal course of business that require future cash payments. The contractual amounts and timing of those payments as of December 31, 2022 are summarized in table 17. Off-balance sheet commitments to customers may impact liquidity, including commitments to extend credit, standby letters of credit, commercial letters of credit, financial guarantees and indemnification contracts, and commitments to sell real estate loans. Because many of these commitments or contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows. Further discussion of these commitments is provided in note 22 of Notes to Financial Statements. Table 17 summarizes the Company's other commitments as of December 31, 2022 and the timing of the expiration of such commitments.

**Table 17**

**CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS**

| December 31, 2022 | Less Than One Year | One to Three Years | Three to Five Years | Over Five Years | Total |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Payments due for contractual obligations | | | | | |
| Time deposits | $ 6,017,181 | $ 3,962,262 | $ 122,102 | $ — | $ 10,101,545 |
| Short-term borrowings | 3,554,951 | — | — | — | 3,554,951 |
| Long-term borrowings | 744,127 | 1,741,010 | 764,874 | 714,526 | 3,964,537 |
| Operating leases | 133,439 | 230,899 | 155,048 | 189,815 | 709,201 |
| Other | 491,047 | 126,435 | 21,758 | 14,124 | 653,364 |
| Total | $ 10,940,745 | $ 6,060,606 | $ 1,063,782 | $ 918,465 | $ 18,983,598 |
| Other commitments | | | | | |
| Commitments to extend credit (a) | $ 21,956,366 | $ 9,760,976 | $ 10,768,871 | $ 5,062,333 | $ 47,548,546 |
| Standby letters of credit | 1,407,362 | 589,707 | 276,893 | 102,682 | 2,376,644 |
| Commercial letters of credit | 14,458 | 4,377 | 45,243 | 988 | 65,066 |
| Financial guarantees and indemnification contracts | 99,800 | 363,658 | 710,825 | 2,848,149 | 4,022,432 |
| Commitments to sell real estate loans | 271,090 | 247,064 | 15,304 | — | 533,458 |
| Total | $ 23,749,076 | $ 10,965,782 | $ 11,817,136 | $ 8,014,152 | $ 54,546,146 |

(a) *Amounts exclude discretionary funding commitments to commercial customers of $11.7 billion that the Company has the unconditional right to cancel prior to funding.*

M&T's primary source of funds to pay for operating expenses, shareholder dividends and treasury stock repurchases has historically been the receipt of dividends from its banking subsidiaries, which are subject to various regulatory limitations. Dividends from any bank subsidiary to M&T are limited by the amount of earnings of the subsidiary in the current year and the two preceding years. For purposes of that test, at December 31, 2022 approximately $1.07 billion was available for payment of dividends to M&T from banking subsidiaries. M&T also may obtain funding through long-term borrowings. Outstanding senior notes of M&T at December 31, 2022 and December 31, 2021 were $1.22 billion and $766 million, respectively. Junior subordinated debentures of M&T associated with trust preferred securities outstanding at December 31, 2022 and December 31, 2021 totaled $536 million and $532 million, respectively. In January 2023 M&T issued $1.0 billion of fixed rate to floating rate senior notes that mature in January 2034.

**Table 18**
## MATURITY AND TAXABLE-EQUIVALENT YIELD OF INVESTMENT SECURITIES

| December 31, 2022 | One Year or Less | One to Five Years | Five to Ten Years | Over Ten Years | Total |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| *Investment securities available for sale (a)* | | | | | |
| U.S. Treasury and federal agencies | | | | | |
| Carrying value | $ 124,399 | $ 7,546,561 | $ — | $ — | $ 7,670,960 |
| Yield | .94% | 2.57% | — | — | 2.55% |
| Mortgage-backed securities (b) | | | | | |
| Government issued or guaranteed | | | | | |
| Carrying value | 401,619 | 1,558,051 | 522,244 | 422,503 | 2,904,417 |
| Yield | 2.53% | 2.53% | 2.51% | 2.50% | 2.53% |
| Other debt securities | | | | | |
| Carrying value | 2,212 | 82,018 | 61,938 | 27,416 | 173,584 |
| Yield | 1.87% | 3.79% | 1.99% | 6.02% | 3.49% |
| Total investment securities available for sale | | | | | |
| Carrying value | 528,230 | 9,186,630 | 584,182 | 449,919 | 10,748,961 |
| Yield | 2.16% | 2.58% | 2.46% | 2.72% | 2.56% |
| *Investment securities held to maturity* | | | | | |
| U.S. Treasury and federal agencies | | | | | |
| Carrying value | 109,941 | 944,094 | — | — | 1,054,035 |
| Yield | 1.83% | 2.47% | — | — | 2.40% |
| Obligations of states and political subdivisions | | | | | |
| Carrying value | 27,913 | 113,217 | 1,092,875 | 1,343,073 | 2,577,078 |
| Yield | 2.14% | 2.59% | 3.17% | 3.88% | 3.50% |
| Mortgage-backed securities (b) | | | | | |
| Government issued or guaranteed | | | | | |
| Carrying value | 427,570 | 1,779,496 | 2,947,757 | 4,692,526 | 9,847,349 |
| Yield | 2.81% | 2.81% | 2.81% | 2.79% | 2.80% |
| Privately issued | | | | | |
| Carrying value | 3,289 | 13,164 | 16,462 | 16,827 | 49,742 |
| Yield | 7.97% | 7.97% | 7.97% | 7.78% | 7.91% |
| Other debt securities | | | | | |
| Carrying value | — | — | — | 1,765 | 1,765 |
| Yield | — | — | — | 4.73% | 4.73% |
| Total investment securities held to maturity | | | | | |
| Carrying value | 568,713 | 2,849,971 | 4,057,094 | 6,054,191 | 13,529,969 |
| Yield | 2.62% | 2.71% | 2.92% | 3.05% | 2.92% |
| *Equity and other securities* | | | | | |
| Equity securities | | | | | |
| Carrying Value | | | | | 151,458 |
| Yield | | | | | 3.20% |
| Other investment securities | | | | | |
| Carrying Value | | | | | 780,483 |
| Yield | | | | | 2.15% |
| Total investment securities | | | | | |
| Carrying value | $ 1,096,943 | $ 12,036,601 | $ 4,641,276 | $ 6,504,110 | $ 25,210,871 |
| Yield | 2.39% | 2.61% | 2.86% | 3.02% | 2.74% |

(a) *Investment securities available for sale are presented at estimated fair value. Yields on such securities are based on amortized cost.*
(b) *Maturities are reflected based upon contractual payments due. Actual maturities are expected to be significantly shorter as a result of loan repayments in the underlying mortgage pools.*

**Table 19**

**MATURITY OF TIME DEPOSITS WITH BALANCES OVER $250,000**

| | December 31, 2022 |
|---|---|
| | (In thousands) |
| 3 months or less | $ 224,399 |
| Over 3 through 6 months | 143,968 |
| Over 6 through 12 months | 328,142 |
| Over 12 months | 346,223 |
| Total | $ 1,042,732 |

Management closely monitors the Company's liquidity position on an ongoing basis for compliance with internal policies and believes that available sources of liquidity are adequate to meet funding needs anticipated in the normal course of business. Management does not anticipate engaging in any activities, either currently or in the long term, for which adequate funding would not be available and would therefore result in a significant strain on liquidity at either M&T or its subsidiary banks.

Market risk is the risk of loss from adverse changes in the market prices and/or interest rates of the Company's financial instruments. The primary market risk the Company is exposed to is interest rate risk. Interest rate risk arises from the Company's core banking activities of lending and deposit-taking, because assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Company is subject to the effects of changing interest rates. The Company measures interest rate risk by calculating the variability of net interest income in future periods under various interest rate scenarios using projected balances for earning assets, interest-bearing liabilities and derivatives used to hedge interest rate risk. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities, and expected maturities of investment securities, loans and deposits. Management uses a "value of equity" model to supplement the modeling technique described above. Those supplemental analyses are based on discounted cash flows associated with on- and off-balance sheet financial instruments. Such analyses are modeled to reflect changes in interest rates and provide management with a long-term interest rate risk metric. The Company has entered into interest rate swap agreements to help manage exposure to interest rate risk. At December 31, 2022, the aggregate notional amount of interest rate swap agreements entered into for interest rate risk management purposes that were currently in effect was $12.75 billion. In addition, the Company has entered into $4.65 billion of forward-starting interest rate swap agreements. Information about interest rate swap agreements entered into for interest rate risk management purposes is included herein under the heading "Net Interest Income/Lending and Funding Activities" and in note 19 of Notes to Financial Statements.

The Company's Asset-Liability Committee, which includes members of executive management, monitors the sensitivity of the Company's net interest income to changes in interest rates with the aid of a computer model that forecasts net interest income under different interest rate scenarios. In modeling changing interest rates, the Company considers different yield curve shapes that consider both parallel (that is, simultaneous changes in interest rates at each point on the yield curve) and non-parallel (that is, allowing interest rates at points on the yield curve to vary by different amounts) shifts in the yield curve. In utilizing the model, market-implied forward interest rates over the subsequent twelve months are generally used to determine a base interest rate scenario for the net interest income simulation. That calculated base net interest income is then compared with the income calculated under the varying interest rate scenarios. The model considers the impact of ongoing lending and deposit-gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments and intends to do so in the future. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and adding to, modifying or terminating existing interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

Table 20 displays as of December 31, 2022 and 2021 the estimated impact on net interest income in the base scenario described above resulting from parallel changes in interest rates across repricing categories during the first modeling year.

**Table 20**

**SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES**

| | Calculated Increase (Decrease) in Projected Net Interest Income | |
|---|---|---|
| **Changes in interest rates** | **December 31, 2022** | **December 31, 2021** |
| | **(In thousands)** | |
| +200 basis points | $ 224,555 | 533,317 |
| +100 basis points | 158,020 | 297,573 |
| -100 basis points | (216,202) | (204,760) |
| -200 basis points | (439,512) | — (a) |

*(a) The Company did not analyze this scenario as of December 31, 2021.*

The Company utilized many assumptions to calculate the impact that changes in interest rates may have on net interest income. The more significant of those assumptions included the rate of prepayments of mortgage-related assets, cash flows from derivative and other financial instruments, loan and deposit volumes and pricing, and deposit maturities. In the scenarios presented, the Company also assumed gradual changes in interest rates during a twelve-month period as compared with the base scenario. In the declining rate scenario, the rate changes may be limited to lesser amounts such that interest rates remain at or above zero on all points of the yield curve. Changes in the amounts presented since December 31, 2021 reflect higher balances of earnings assets obtained in the People's United acquisition, changes in portfolio composition, the level of market-implied forward interest rates and hedging actions taken by the Company. The assumptions used in interest rate sensitivity modeling are inherently uncertain and, as a result, the Company cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly from those presented due to the timing, magnitude and frequency of changes in interest rates and changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes.

Table 21 presents cumulative totals of net assets (liabilities) repricing on a contractual basis within the specified time frames, as adjusted for the impact of interest rate swap agreements entered into for interest rate risk management purposes. Management believes that this measure does not appropriately depict interest rate risk since changes in interest rates do not necessarily affect all categories of earning assets and interest-bearing liabilities equally nor, as assumed in the table, on the contractual maturity or repricing date. Furthermore, this static presentation of interest rate risk fails to consider the effect of ongoing lending and deposit gathering activities, projected changes in balance sheet composition or any subsequent interest rate risk management activities the Company is likely to implement.

**Table 21**

## CONTRACTUAL REPRICING DATA

| December 31, 2022 | Three Months or Less | Four to Twelve Months | One to Five Years | After Five Years | Total |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Loans and leases, net | $ 74,203,489 | $ 6,927,190 | $ 27,037,309 | $ 23,396,175 | $131,564,163 |
| Investment securities | 298,876 | 383,060 | 9,206,305 | 15,322,630 | 25,210,871 |
| Other earning assets | 25,078,633 | 933 | — | — | 25,079,566 |
| *Total earning assets* | 99,580,998 | 7,311,183 | 36,243,614 | 38,718,805 | 181,854,600 |
| Savings and interest-checking deposits | 87,911,463 | — | — | — | 87,911,463 |
| Time deposits | 2,335,630 | 3,681,551 | 4,084,364 | — | 10,101,545 |
| *Total interest-bearing deposits* | 90,247,093 | 3,681,551 | 4,084,364 | — | 98,013,008 |
| Short-term borrowings | 3,554,951 | — | — | — | 3,554,951 |
| Long-term borrowings | 171 | 743,956 | 2,505,884 | 714,526 | 3,964,537 |
| *Total interest-bearing liabilities* | 93,802,215 | 4,425,507 | 6,590,248 | 714,526 | 105,532,496 |
| Interest rate swap agreements | (8,900,000) | (1,150,000) | 10,050,000 | — | — |
| Periodic gap | $ (3,121,217) | $ 1,735,676 | $ 39,703,366 | $ 38,004,279 | |
| Cumulative gap | (3,121,217) | (1,385,541) | 38,317,825 | 76,322,104 | |
| Cumulative gap as a % of total earning assets | (1.7)% | (0.8)% | 21.1% | 42.0% | |

A significant amount of the Company's earning assets, interest-bearing liabilities, preferred equity instruments and interest rate swap agreements have contractual repricing terms that reference the London Interbank Offered Rate ("LIBOR"). Publication of certain tenors of LIBOR has already ceased and complete cessation of LIBOR publication is expected by June 30, 2023. Effective December 31, 2021, the Company essentially discontinued entering into new LIBOR-based contracts.

The Company's enterprise-wide LIBOR transition program is monitored by executive management as well as the Risk Committee of the Board of Directors. At December 31, 2022 the Company had LIBOR-based commercial loans and leases and commercial real estate loans of $32.1 billion and residential mortgage and consumer loans of $4.1 billion outstanding. Approximately 85% of the loans either mature before June 30, 2023 or have been amended to include appropriate alternative language to be effective upon cessation of LIBOR publication. Approximately $732 million of borrowings and $1.1 billion of M&T's preferred stock reference LIBOR as of December 31, 2022. Upon cessation of LIBOR after June 30, 2023 dividends on M&T's preferred stock and interest payments on variable rate preferred capital securities will be paid based on SOFR plus a pre-determined static spread (dependent on the tenor of LIBOR for each series of preferred stock and each preferred capital security) as proposed by the Board of Governors of the FRB. The Company's interest rate swap agreements primarily reference LIBOR. In October 2020, the International Swaps and Derivatives Association, Inc. published the IBOR Fallbacks Supplement ("Supplement") and the IBOR Fallback Protocol ("Protocol"). The Protocol enables market participants to incorporate certain revisions into their legacy non-cleared derivative trades with other counterparties that also choose to adhere to the Protocol. M&T adhered to the Protocol in November 2020 and is continuing the process of remediating its interest rate swap transactions with its end-user customers. With respect to the Company's cleared interest rate swap agreements that reference LIBOR, clearinghouses have adopted the same relevant SOFR benchmark alternatives of the Supplement and Protocol.

As loans mature and new originations occur a larger percentage of the Company's variable-rate loans are expected to reference SOFR or other indexes, including the Bloomberg Short Term Bank Yield Index ("BSBY"). At December 31, 2022, the Company had approximately $28.7 billion and

$212 million of outstanding loan balances that reference SOFR and BSBY, respectively. Additionally, as of December 31, 2022 the Company had $12.1 billion of notional amount of interest rate swap agreements designated as cash flow hedges of commercial real estate loans, including $4.7 billion of forward-starting interest rate swap agreements that become effective in 2023, and notional amounts of $6.0 billion of non-hedging derivative interest rate contracts that are referenced to SOFR. The Company continues to work with its customers and other counterparties to remediate LIBOR-based agreements which expire after June 30, 2023 by incorporating alternative language, negotiating new agreements, or other means. The discontinuation of LIBOR and uncertainty relating to the emergence of one or more alternative benchmark indexes to replace LIBOR could materially impact the Company’s interest rate risk profile and its management thereof.

In addition to the effect of interest rates, changes in fair value of the Company’s financial instruments can also result from a lack of trading activity for similar instruments in the financial markets. That impact is most notable on the values assigned to some of the Company’s investment securities. Information about the fair valuation of investment securities is presented in notes 3 and 21 of Notes to Financial Statements.

The Company enters into interest rate and foreign exchange contracts to meet the financial needs of customers that it includes in its financial statements as non-hedging derivatives within other assets and other liabilities. Financial instruments utilized for such activities consist predominantly of interest rate swap agreements and forward and futures contracts related to foreign currencies. The Company generally mitigates the foreign currency and interest rate risk associated with customer activities by entering into offsetting positions with third parties that are also included in other assets and other liabilities. The fair values of non-hedging derivative positions associated with interest rate contracts and foreign currency and other option and futures contracts are presented in note 19 of Notes to Financial Statements. As with any non-government guaranteed financial instrument, the Company is exposed to credit risk associated with counterparties to the Company’s non-hedging derivative activities. Although the notional amounts of these contracts are not recorded in the consolidated balance sheet, the unsettled fair values of those financial instruments are recorded in the consolidated balance sheet. The fair values of such non-hedging derivative assets and liabilities recognized on the balance sheet were $380 million and $1.3 billion, respectively, at December 31, 2022 and $418 million and $83 million, respectively, at December 31, 2021. The fair value of asset and liability amounts at December 31, 2022 have been reduced by contractual settlements of $1.1 billion and $29 million, respectively, and at December 31, 2021 by contractual settlements of $54 million and $305 million, respectively. The values associated with the Company's non-hedging derivative activities at December 31, 2022 as compared with December 31, 2021 reflect changes in values associated with the interest rate swap agreements entered into with commercial customers that are not subject to periodic variation margin settlement payments.

Trading account assets at December 31, 2022 and 2021, respectively, were $118 million and $50 million and included assets related to deferred compensation plans aggregating $23 million and $21 million. Changes in the fair values of such assets are recorded as “trading account and non-hedging derivative gains” in the consolidated statement of income. Included in “other liabilities” in the consolidated balance sheet at December 31, 2022 and 2021 were $29 million and $24 million, respectively, of liabilities related to deferred compensation plans. Changes in the balances of such liabilities due to the valuation of allocated investment options to which the liabilities are indexed are recorded in “other costs of operations” in the consolidated statement of income. Also included in trading account assets were investments in mutual funds and other assets that the Company was required to hold under terms of certain non-qualified supplemental retirement and other benefit plans that were assumed by the Company in various acquisitions. Those assets totaled $95 million at December 31, 2022, and $29 million at December 31, 2021. The increase at December 31, 2022 as compared with December 31, 2021 reflects assets obtained in the acquisition of the People's United non-qualified supplemental retirement and other benefit plans.

Given the Company’s policies, limits and positions, management believes that the potential loss exposure to the Company resulting from market risk associated with trading account and non-hedging derivative activities was not material, however, as previously noted, the Company is exposed to credit risk associated with counterparties to transactions related to the Company’s actions to mitigate foreign currency and interest rate risk associated with customer activities. Additional information about the Company’s use of derivative financial instruments is included in note 19 of Notes to Financial Statements.

**Capital**

Shareholders’ equity was $25.3 billion at December 31, 2022 and represented 12.61% of total assets, compared with $17.9 billion or 11.54% at December 31, 2021 and $16.2 billion or 11.35% at December 31, 2020. The increase in shareholders' equity from December 31, 2021 reflects the issuance of 50,325,004 M&T common shares and other common equity consideration totaling $8.4 billion for the acquisition of People's United and the conversion of People's United preferred stock into 10,000,000 shares of Series H Perpetual Fixed-to-Floating Rate Non-cumulative Preferred Stock of M&T ("Series H Preferred Stock") amounting to $261 million.

Included in shareholders’ equity was preferred stock with financial statement carrying values of $2.01 billion at December 31, 2022, compared with $1.75 billion at December 31, 2021, and $1.25 billion at December 31, 2020. On April 1, 2022, the Company closed the acquisition of People's United resulting in the issuance of 10,000,000 shares of Series H Preferred Stock, par value $1.00 per share and liquidation preference of $25.00 per share, valued at $261 million. Through December 14, 2026, holders of the Series H Preferred Stock are entitled to receive, only when, as and if declared by M&T's Board of Directors, non-cumulative cash dividends at an annual rate of 5.625%, payable quarterly in arrears. Subsequent to December 14, 2026, holders will be entitled to receive, only when, as and if declared by M&T's Board of Directors, non-cumulative cash dividends at a variable rate as described in note 10 of Notes to Financial Statements. The Series H preferred stock may be redeemed at M&T's option, in whole or in part, from time to time, on or after April 1, 2027 or, in whole but not in part, at any time within 90 days following a regulatory treatment event whereby the full liquidation value of the shares no longer qualifies as "additional Tier 1 capital". The Series H Preferred Stock is listed on the NYSE under the symbol MTBPrH. On August 17, 2021, M&T issued 50,000 shares of Series I Perpetual Fixed-Rate Reset Non-cumulative Preferred Stock, par value $1.00 and liquidation preference of $10,000 per share. Through August 31, 2026 holders of the Series I preferred stock are entitled to receive, only when, as and if declared by M&T’s Board of Directors, non-cumulative cash dividends at an annual rate of 3.5%, payable semiannually in arrears. Subsequent to August 31, 2026 holders will be entitled to receive, only when, as and if declared by M&T’s Board of Directors, non-cumulative cash dividends at an annual rate of the five-year U.S. Treasury Rate plus 2.679%, payable semiannually in arrears. The Series I preferred stock may be redeemed at M&T’s option, in whole or in part, on any dividend payment date on or after September 1, 2026 or, in whole but not in part, at any time within 90 days following a regulatory capital treatment event whereby the full liquidation value of the shares no longer qualifies as “additional Tier 1 capital."

Common shareholders’ equity totaled $23.3 billion, or $137.68 per share, at December 31, 2022, compared with $16.2 billion, or $125.51 per share, at December 31, 2021 and $14.9 billion, or $116.39 per share, at December 31, 2020. Tangible equity per common share, which excludes goodwill and core deposit and other intangible assets and applicable deferred tax balances, was $86.59 at December 31, 2022, compared with $89.80 and $80.52 at December 31, 2021 and 2020, respectively. The Company’s ratio of tangible common equity to tangible assets was 7.63% at December 31, 2022, compared with 7.68% and 7.49% at December 31, 2021 and 2020, respectively. Reconciliations of total common shareholders’ equity and tangible common equity and total assets and tangible assets as of December 31, 2022, 2021 and 2020 are presented in table 2. During 2022, 2021 and 2020, the ratio of average total shareholders' equity to average total assets was 12.51%, 11.08% and 11.80%, respectively. The ratio of average common shareholders' equity to average total assets was 11.49%, 10.13% and 10.88% in 2022, 2021 and 2020, respectively.

Shareholders' equity reflects accumulated other comprehensive income or loss, which includes the net after-tax impact of unrealized gains or losses on investment securities classified as available for sale, remaining unrealized losses on held-to-maturity securities transferred from available for sale that have not yet been amortized, gains or losses associated with interest rate swap agreements designated as cash flow hedges, foreign currency translation adjustments and adjustments to reflect the funded status of defined benefit pension and other postretirement plans. Net unrealized losses on investment securities reflected in shareholders' equity, net of applicable tax effect, were $329 million, or $1.94 per common share, at December 31, 2022, compared with net unrealized gains of $78 million, or $.60 per common share, at December 31, 2021, and $145 million, or $1.13 per common share, at December 31, 2020. Changes in unrealized gains and losses on investment securities are predominantly reflective of the impact of changes in interest rates on the values of such securities. Information about unrealized gains and losses as of December 31, 2022 and 2021 is included in note 3 of Notes to Financial Statements.

Reflected in the carrying amount of available-for-sale investment securities at December 31, 2022 were pre-tax effect unrealized gains of $515,000 on securities with an amortized cost of $135 million and pre-tax effect unrealized losses of $445 million on securities with an amortized cost of $11.1 billion. Information concerning the Company's fair valuations of investment securities is provided in notes 3 and 21 of Notes to Financial Statements.

Each reporting period the Company reviews its available-for-sale investment securities for declines in value that might be indicative of credit-related losses through an analysis of the creditworthiness of the issuer or the credit performance of the underlying collateral supporting the bond. If the Company does not expect to recover the entire amortized cost basis of a debt security a credit loss is recognized in the consolidated statement of income. A loss is also recognized if the Company intends to sell a bond or it more likely than not will be required to sell a bond before recovery of the amortized cost basis. As of December 31, 2022, based on a review of each of the securities in the available-for-sale investment securities portfolio, the Company concluded that it expected to realize the amortized cost basis of each security. As of December 31, 2022, the Company did not intend to sell nor is it anticipated that it would be required to sell any securities for which fair value was less than the amortized cost basis of the security. The Company intends to continue to closely monitor the performance of its securities because changes in their underlying credit performance or other events could cause the amortized cost basis of those securities to become uncollectable.

Accounting guidance requires investment securities held to maturity to be presented at their net carrying value that is expected to be collected over their contractual term. The Company estimated no material allowance for credit losses for its investment securities classified as held-to-maturity at December 31, 2022 and December 31, 2021. The amortized cost basis and fair value of obligations of states and political subdivisions in the held-to-maturity portfolio totaled $2.6 billion and $2.5 billion, respectively, at December 31, 2022. Those municipal securities were predominantly obtained in the acquisition of People's United. At December 31, 2022 and December 31, 2021, the Company had in its held-to-maturity portfolio privately issued mortgage-backed securities with an amortized cost basis of $50 million and $62 million, respectively, and a fair value of $51 million and $57 million, respectively. At December 31, 2022, 83% of the mortgage-backed securities were in the most senior tranche of the securitization structure. The mortgage-backed securities are generally collateralized by residential and small-balance commercial real estate loans originated between 2004 and 2008. After considering the repayment structure and estimated future collateral cash flows of each individual bond, the Company has concluded that as of December 31, 2022, it expected to recover the amortized cost basis of those privately issued mortgage-backed securities. Nevertheless, it is possible that adverse changes in the estimated future performance of mortgage loan collateral underlying such securities could impact the Company's conclusions.

Adjustments to reflect the funded status of defined benefit pension and other postretirement plans, net of applicable tax effect, reduced accumulated other comprehensive income by $202 million, or $1.19 per common share, at December 31, 2022, $267 million, or $2.08 per common share, at December 31, 2021 and $481 million, or $3.75 per common share, at December 31, 2020. Information about the funded status of the Company's pension and other postretirement benefit plans is included in note 13 of Notes to Financial Statements.

On January 20, 2021, M&T's Board of Directors authorized a stock repurchase plan to repurchase up to $800 million of shares of M&T's common stock subject to all applicable regulatory limitations. There were no repurchases pursuant to that authorization during 2021 and in February 2022 the Board reaffirmed that plan. In the second quarter of 2022, M&T repurchased 3,505,946 shares of its common stock for $600 million under that plan. On July 19, 2022, M&T's Board of Directors authorized a new stock purchase program to repurchase up to $3.0 billion of common shares subject to all applicable regulatory reporting limitations. The plan authorized in July 2022 replaced the previous plan. In the last two quarters of 2022, M&T repurchased 6,947,336 shares of its common stock for $1.2 billion under the new program resulting in a total of 10,453,082 common shares repurchased for $1.8 billion in 2022. Pursuant to previously approved capital plans and authorizations by M&T's Board of Directors, M&T repurchased 2,577,000 common shares for $374 million in 2020.

During the fourth quarter of 2021, M&T's Board of Directors authorized an increase in the quarterly common stock dividend to $1.20 per common share from the previous rate of $1.10 per common share. Cash dividends declared on M&T's common stock totaled $788 million in 2022, compared with $584 million and $569 million in 2021 and 2020, respectively. Dividends per common share totaled $4.80 in 2022, compared with $4.50 and $4.40 in 2021 and 2020, respectively. Dividends of $97 million in 2022, $73 million in 2021 and $68 million in 2020 were declared on preferred stock in accordance with the terms of each series.

M&T and its subsidiary banks are required to comply with applicable capital adequacy standards established by the federal banking agencies. Pursuant to those regulations, the minimum capital ratios are as follows:

- 4.5% Common Equity Tier 1 ("CET1") to risk-weighted assets (each as defined in the capital regulations);
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets (each as defined in the capital regulations);
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets (each as defined in the capital regulations); and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio"), as defined in the capital regulations.

Capital regulations require buffers in addition to the minimum risk-based capital ratios noted above. M&T is subject to a stress capital buffer requirement that is determined through the Federal Reserve's supervisory stress tests and M&T's bank subsidiaries are subject to a 2.5% capital conservation buffer requirement. The buffer requirement must be composed entirely of CET1 and for each entity was 2.5% of risk-weighted assets through September 30, 2022. In June 2022, the Federal Reserve released the results of its most recent supervisory stress tests. Based on those results, on October 1, 2022, M&T's stress capital buffer of 4.7% became effective.

The federal bank regulatory agencies have issued rules that allow banks and bank holding companies to phase-in the impact of adopting the expected credit loss accounting model on regulatory capital. Those rules allow banks and bank holding companies to delay for two years the day one impact on retained earnings of adopting the expected loss accounting standard and 25% of the cumulative change in the reported allowance for credit losses subsequent to the initial adoption through the end of 2021, followed by a three-year transition period. The regulatory capital amounts and ratios of M&T and its bank subsidiaries as of December 31, 2022 are presented in note 24 of Notes to Financial Statements. A detailed discussion of the regulatory capital rules is included in Part I, Item 1 of this Form 10-K under the heading "Capital Requirements."

The Company is subject to the comprehensive regulatory framework applicable to bank and financial holding companies and their subsidiaries, which includes examinations by a number of regulators. Regulation of financial institutions such as M&T and its subsidiaries is intended primarily for the protection of depositors, the Deposit Insurance Fund of the FDIC and the banking and financial system as a whole, and generally is not intended for the protection of shareholders, investors or creditors other than insured depositors. Changes in laws, regulations and regulatory policies applicable to the Company's operations can increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive environment in which the Company operates, all of which could have a material effect on the business, financial condition or results of operations of the Company and in M&T's ability to pay dividends. For additional information concerning this comprehensive regulatory framework, refer to Part I, Item 1 of this Form 10-K.

**Fourth Quarter Results**

Net income in the fourth quarter of 2022 was $765 million, compared with $458 million in the year-earlier quarter. Diluted and basic earnings per common share were $4.29 and $4.32, respectively, in the final 2022 quarter, compared with diluted and basic earnings per common share of $3.37 in the corresponding quarter of 2021. The annualized rates of return on average assets and average common shareholders' equity for the final quarter of 2022 were 1.53% and 12.59%, respectively, compared with 1.15% and 10.91%, respectively, in the corresponding quarter of 2021.

Net operating income during 2022's fourth quarter was $812 million, compared with $475 million in the year-earlier quarter. Diluted net operating earnings per common share were $4.57 and $3.50 in the fourth quarters of 2022 and 2021, respectively. The annualized net operating returns on average tangible assets and average tangible common equity in the final three months of 2022 were 1.70% and 21.29%, respectively, compared with 1.23% and 15.98%, respectively, in the similar 2021 period. Reconciliations of GAAP results with non-GAAP results for the quarterly periods of 2022 and 2021 are provided in table 23.

Taxable-equivalent net interest income aggregated $1.84 billion in the final quarter of 2022, compared with $937 million in the year-earlier period. That increase reflects a 148 basis point expansion of the net interest margin to 4.06% from 2.58% in the year-earlier quarter and the impact of earning assets associated with the acquisition of People's United. Average earning assets increased to $179.9 billion in 2022's fourth quarter as compared with $144.4 billion in the final quarter of 2021. The $35.5 billion increase in average earning assets was driven by a $36.2 billion increase in average outstanding loans and an $18.5 billion increase in average investment securities, partially offset by a $19.2 billion decline in deposit balances at the FRB of New York and other banks. Loans acquired from People's United totaled $35.8 billion on the April 1, 2022 acquisition date and consisted of approximately $13.6 billion of commercial loans and leases, $13.5 billion of commercial real estate loans, $7.1 billion of residential real estate loans and $1.6 billion of consumer loans. Average balances of commercial loans and leases were $40.0 billion in the recent quarter, up $17.7 billion or 79% from $22.3 billion in the fourth quarter of 2021. That increase was largely attributable to acquired balances from the People's United acquisition and loan growth, partially offset by decreased average balances of PPP loans, due to loan repayments by the Small Business Administration. PPP loans averaged $141 million in 2022's final quarter, compared with $1.6 billion in the year-earlier quarter. Average commercial real estate loan balances aggregated $45.7 billion in the final quarter of 2022, up $9.0

billion or 24% from $36.7 billion in the year-earlier quarter. Partially offsetting the increase in commercial real estate loans from the acquisition of People's United was a reduction in balances of construction and permanent mortgage loans, reflecting repayments by customers. Included in those totals were average balances of loans held for sale of $299 million in the final quarter of 2022, compared with $535 million in the corresponding period of 2021. Average residential real estate loan balances increased $7.0 billion to $23.3 billion in the fourth quarter of 2022 from $16.3 billion in the year-earlier quarter, reflecting loans obtained in the acquisition of People's United and the Company's decision in the third quarter of 2021 to retain rather than sell most originated residential mortgage loans. Consumer loans averaged $20.3 billion in the last three months of 2022, $2.4 billion or 14% higher than in the year-earlier quarter reflecting the impact of loans obtained in the acquisition of People's United (that consisted predominantly of outstanding balances of home equity lines of credit) and growth in average recreational finance loans (consisting predominantly of loans secured by recreational vehicles and boats). The net interest spread expanded in the fourth quarter of 2022 to 3.62%, up 110 basis points from 2.52% in the corresponding quarter of 2021. The yield on earning assets in the last three months of 2022 was 4.60%, up 196 basis points from 2.64% in the year-earlier quarter. The rate paid on interest-bearing liabilities in the 2022’s final quarter was .98%, up 86 basis points from .12% in the similar quarter of 2021. The contribution of net interest-free funds to the Company’s net interest margin was .44% and .06% in the fourth quarters of 2022 and 2021, respectively.

The provision for credit losses was $90 million in the fourth quarter of 2022, compared with a recapture of provision of $15 million in the year-earlier period. Net loan charge-offs were $40 million in the last three months of 2022, representing an annualized .12% of average loans and leases outstanding, compared with $31 million or .13% during the similar 2021 period. Net charge-offs in the fourth quarters of 2022 and 2021 included: net charge-offs of commercial loans of $8 million in 2022 and $25 million in 2021; net charge-offs of commercial real estate loans of $8 million in 2022 compared with net recoveries of $7 million in 2021; net charge-offs of residential real estate loans of less than $1 million in 2022 and $2 million in 2021; and net charge-offs of consumer loans of $24 million in 2022 and $11 million in 2021.

Other income rose to $682 million in the fourth quarter of 2022 from $579 million in the similar 2021 period. The increase reflects the impact of the acquired operations of People's United (predominantly increases in trust income, services charges on deposit accounts and credit-related fees) and higher trust income from legacy operations, as well as the $136 million gain on the sale of MTIA. Those increases were partially offset by a decline in mortgage banking revenues resulting from lower volumes of residential and commercial real estate loans originated for sale, lower income recorded from the Company's investment in Bayview Lending Group, and a planned reduction of insufficient funds fees reflected in service charges on deposit accounts.

Other expense totaled $1.41 billion during the recent quarter, compared with $928 million in the final quarter of 2021. Included in such amounts are expenses considered to be “nonoperating” in nature consisting of amortization of core deposit and other intangible assets of $18 million and $2 million during the quarters ended December 31, 2022 and 2021, respectively, and merger-related expenses of $45 million in fourth quarter of 2022 and $21 million in the similar 2021 period. Exclusive of those nonoperating expenses, noninterest operating expenses were $1.35 billion in the fourth quarter of 2022 and $904 million in the corresponding 2021 quarter. The higher level of expenses in the recent quarter as compared with the fourth quarter of 2021 was predominantly due to the impact of operations obtained in the People's United acquisition and the $135 million contribution to The M&T Charitable Foundation. Higher salaries and employee benefits expenses were offset by lower defined benefit pension-related expenses included in other costs of operations. The Company’s efficiency ratio during the final quarters of 2022 and 2021 was 53.3% and 59.7%, respectively. Table 23 includes a reconciliation of other expense to noninterest operating expense and the calculation of the efficiency ratio for each of the quarters of 2022 and 2021.

**Segment Information**

In accordance with GAAP, the Company's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer, and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 23 of Notes to Financial Statements. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. The Company continues to evaluate its indirect fixed and variable expenses included within the "All Other" category to determine if the expenses may be allocated to the Company's various segments to support strategic business decisions by the Company's executive leadership. As a result, in the fourth quarter of 2022 the Company implemented the following: an additional allocation of incentive compensation; a refinement of consumption-driven services allocations including cybersecurity and modeling functions; an expanded allocation of franchise-type services such as risk management, data services and legal services; and a refinement in allocation of technology application costs in support of business activities. Additionally, certain lending relationships within the hospitality sector that had previously received oversight within the Commercial Banking segment were realigned to the Commercial Real Estate segment. Accordingly, prior period financial information for 2021 and 2020 has been reclassified to provide segment information on a comparable basis. Financial information about the Company's segments is presented in note 23 of Notes to Financial Statements.

The Business Banking segment provides a wide range of services to small businesses and professionals within markets served by the Company through the Company's branch network, business banking centers and other delivery channels such as telephone banking, Internet banking and automated teller machines. Services and products offered by this segment include various business loans and leases, including loans guaranteed by the SBA, business credit cards, deposit products, and financial services such as cash management, payroll and direct deposit, merchant credit card and letters of credit. The Business Banking segment recorded net income of $313 million in 2022, compared with $207 million in 2021. That 51% rise in net income reflected a nine-month impact of the People's United acquisition and was predominantly attributable to increases of $193 million in net interest income, $17 million in service charges on deposit accounts and $10 million in merchant discount and credit card fees, partially offset by a rise in centrally-allocated costs associated with data processing, risk management and other support services provided to the Business Banking segment of $53 million and higher personnel-related costs of $13 million. The growth in net interest income reflected an increase in average outstanding deposit balances of $5.4 billion and a widening of the net interest margin on deposits of 99 basis points, partially offset by a narrowing of the net interest margin on loans of 101 basis points that reflected a lower level of PPP fee income resulting from repayment of loans by the SBA. The Business Banking segment contributed net income of $154 million in 2020. The 34% increase in 2021 as compared with 2020 resulted from higher net interest income of $56 million, a $15 million decline in the provision for credit losses and higher merchant discount and credit card fees of $12 million, partially offset by higher personnel-related costs of $11 million. The higher net interest income reflected a 127 basis point widening of the net interest margin on loans and higher average deposit balances of $3.3 billion, partially offset by a 57 basis point narrowing of the net interest margin on deposits. The widening margin on loans resulted from a higher level of PPP fee income resulting from the repayment of loans by the SBA. The increase in average deposits resulted from a continued desire by the customers of the Business Banking segment to maintain liquidity during the pandemic and amid the low interest rate environment.

The Commercial Banking segment provides a wide range of credit products and banking services for middle-market and large commercial customers, mainly within the markets served by the Company. Services provided by this segment include commercial lending and leasing, letters of credit, deposit products, and cash management services. Net income for the Commercial Banking segment was $730 million in 2022, compared with $499 million in 2021. The 46% rise in net income was predominantly due to an increase in net interest income of $506 million, reflecting a widening of the net interest margin on deposits of 97 basis points and higher average outstanding balances in loans and deposits of $13.4 billion and $1.2 billion, respectively (including the nine-month impact of the People's United acquisition), an increase of $56 million in credit-related fees, higher service charges on deposit accounts of $13 million and a rise in merchant discount and credit card fees of $9 million. Those favorable factors were offset, in part, by increases in centrally-allocated costs associated with data processing, risk management and other support services provided to the Commercial Banking segment of $125 million, personnel-related costs of $105 million and other costs of operations of $31 million (all largely reflecting the nine-month impact of the People's United acquisition). Net income for the Commercial Banking segment totaled $476 million in 2020. The most significant factors contributing to the rise in net income from 2020 to 2021 included higher letter of credit and other credit-related fees of $22 million, an increase in merchant discount and credit card fees of $13 million and a lower provision for credit losses of $10 million, partially offset by an increase of $13 million in centrally-allocated costs associated with data processing, risk management and other support services provided to the Commercial Banking segment.

The Commercial Real Estate segment provides credit and deposit services to its customers. Commercial real estate loans may be secured by apartment/multifamily buildings, hotels, office, retail and industrial space or other types of collateral. Activities of this segment also include the origination, sales and servicing of commercial real estate loans through the Fannie Mae DUS program and other programs. Commercial real estate loans held for sale are included in this segment. The Commercial Real Estate segment recorded net income of $446 million in 2022, up 26% from $354 million in 2021. That rise reflects a $116 million decrease in the provision for credit losses due to lower net charge-offs and higher net interest income of $72 million. Also contributing to higher net income were increases in credit-related fees of $8 million and non-hedging derivative gains of $7 million resulting mainly from increased activity related to interest rate swap transactions executed on behalf of commercial customers. Partially offsetting those positive factors was a decline in commercial mortgage banking revenues reflecting lower commercial real estate loan origination and sales activity, and higher centrally-allocated costs associated with data processing, risk management and other support services provided to the Commercial Real Estate segment of $57 million. The increase in net interest income reflected a widening of the net interest margin on deposits of 89 basis points and higher average balances of loans and deposits of $3.4 billion and $1.7 billion, respectively, partially offset by a tightening of the net interest margin on loans of 31 basis points. Net income for this segment was $400 million in 2020. The decline from 2020 to 2021 was primarily attributable to a $45 million decrease in net interest income, reflecting a 58 basis point narrowing of the net interest margin on deposits and lower average loan balances of $266 million. Additionally, lower non-hedging derivative gains of $12 million resulting from decreased activity related to interest rate swap agreements executed on behalf of commercial customers, increased amortization of capitalized commercial mortgage servicing rights of $7 million, higher FDIC assessments and personnel related costs of $6 million each and a $5 million increase in centrally-allocated costs associated with data processing, risk management and other support services provided to the Commercial Real Estate segment were partially offset by a $17 million increase in commercial mortgage servicing income.

The Discretionary Portfolio segment includes investment securities, residential real estate loans and other assets, short-term and long-term borrowed funds, brokered deposits, and, through June 2021, Cayman Islands office deposits. This segment also provides foreign exchange services to customers. Net income of the Discretionary Portfolio segment amounted to $17 million in 2022 and $287 million in 2021. The decline in net income can be attributed to lower net interest income reflecting reduced income from interest rate swap agreements entered into for interest rate risk management purposes. Intersegment fees paid to the Residential Mortgage Banking segment during 2022 increased $41 million and centrally-allocated costs associated with data processing, risk management and other support services provided to the Discretionary Portfolio segment increased $8 million. Partially offsetting those unfavorable factors was a $16 million reduction in unrealized valuation losses on equity investment securities as compared with 2021. The Discretionary Portfolio segment recorded net income of $321 million in 2020. The 11% decline in the 2021's net income as compared with 2020 reflects a $21 million increase in intersegment fees related to the transfer of residential mortgage loans to the Discretionary Portfolio segment from the Residential Mortgage Banking segment and a $12 million decrease in the value of equity securities.

The Residential Mortgage Banking segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment. The Company periodically purchases the rights to service loans and also sub-services residential real estate loans for others. Residential real estate loans held for sale are included in this segment. The Residential Mortgage Banking segment generated $21 million of net income in 2022, compared with $169 million in 2021. The decline compared with 2021 was largely due to a decrease in revenues (including intersegment revenues) resulting from lower mortgage origination and sales activities of $135 million, lower net interest income of $52 million and a $14 million rise in centrally-allocated costs associated with data processing, risk management and other support services provided to the Residential Mortgage Banking segment, partially offset by an increase of $15 million in revenues associated with servicing residential real estate loans (including intersegment revenues). The decrease in net interest income was driven by a decline in average outstanding balances of loans and deposits of $1.7 billion and $1.4 billion, respectively. Net income for the Residential Mortgage Banking segment increased 31% to $169 million in 2021 from $129 million in 2020. That year-over-year increase was attributable to higher net interest income of $40 million, reflecting higher average loan balances of $1.3 billion, and increased revenues associated with servicing and sub-servicing residential real estate loans (including intersegment revenues) of $9 million.

The Retail Banking segment offers a variety of services to consumers through several delivery channels which include branch offices, automated teller machines, telephone banking and Internet banking. The Company has branch offices in New York State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Massachusetts, Maine, Vermont, New Hampshire, Virginia, West Virginia and the District of Columbia. Credit services offered by this segment include consumer installment loans, automobile and recreational finance loans (originated both directly and indirectly through dealers), home equity loans and lines of credit, and credit cards. The segment also offers to its customers deposit products, including demand, savings and time accounts, investment products, including mutual funds and annuities and other services. Net income for the Retail Banking segment was $631 million in 2022, up from $324 million in 2021. The improvement from 2021 reflected higher net interest income of $873 million and higher consumer service charges on deposit accounts of $12 million. Those favorable factors were partially offset by higher personnel-related costs of $181 million, a rise in centrally-allocated expenses associated with support services provided to the Retail Banking segment of $128 million, an increase in equipment and net occupancy costs of $85 million, higher professional services expense of $25 million, and an increase in the provision for credit losses of $24 million (all reflecting the nine-month impact of the People's United acquisition). The increase in net interest income reflected a 94 basis point widening of the net interest margin on deposits and higher average outstanding deposit and loan balances of $19.3 billion and $2.1 billion, respectively. Retail Banking segment net income aggregated $324 million in 2021 compared with $332 million in 2020. Factors contributing to the decline in net income in 2021 included a decrease of $78 million in net interest income and increased centrally-allocated costs, largely associated with data processing, risk management and other support services provided to the Retail Banking segment. The net interest income decline reflected a narrowing of the net interest margin on deposits of 49 basis points, partially offset by higher average outstanding balances of deposits and loans of $5.1 billion and $1.5 billion, respectively. The unfavorable factors were partially offset by a $53 million decrease in the provision for credit losses, a $22 million decrease in personnel-related costs (reflecting lower staffing levels), a $20 million rise in service charges on deposit accounts and an $8 million increase in merchant discount and credit card fees.

The "All Other" category reflects other activities of the Company that are not directly attributable to the reported segments. Reflected in this category are the amortization of core deposit and other intangible assets from the acquisitions of financial institutions, distributions from BLG, merger-related expenses related to acquisitions (when incurred) and the net impact of the Company's allocation methodologies for internal transfers for funding charges and credits associated with the earning assets and interest-bearing liabilities of the Company's reportable segments and the provision for credit losses. The "All Other" category also includes trust income of the Company that reflects the ICS and WAS business activities. The various components of the "All Other" category resulted in a net loss of $165 million in 2022 compared with net income of $20 million in 2021. The net loss in 2022 as compared with 2021's net income resulted from an increase in the provision for credit losses, increases in expenses resulting from the acquisition of People's United (inclusive of merger-related expenses) and higher contributions to The M&T Charitable Foundation. Those unfavorable factors were partially offset by higher net interest income reflecting the favorable impact from the Company's allocation methodologies for internal transfers for funding charges and credits associated with earning assets and interest-bearing liabilities of the Company's reportable segments, the $136 million gain on sale of MTIA (recorded in the fourth quarter of 2022) and an increase in trust income of $96 million (inclusive of People's United-related revenues of $35 million). The various components of the "All Other" category resulted in a net loss of $459 million in 2020. The improvement in 2021 resulted from a $795 million decrease in the provision for credit losses, the favorable impact from the Company's allocation methodologies for internal transfers for funding charges and credits associated with earning assets and interest-bearing liabilities of the Company's reportable segments, and increased trust income. Those favorable factors were partially offset by higher professional services expenses and increased personnel-related costs.

**Recent Accounting Developments**

A discussion of recent accounting developments is included in note 27 of Notes to Financial Statements.

**Forward-Looking Statements**

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this annual report contain forward-looking statements regarding the Company within the meaning of the Private Securities Litigation Reform Act of 1995. Any statement that does not describe historical or current facts is a forward-looking statement, including statements based on current expectations, estimates and projections about the Company's business, management's beliefs and assumptions made by management.

Statements regarding the potential effects of events or factors specific to the Company and/or the financial industry as a whole, as well as national and global events generally, including economic conditions, on the Company's business, financial condition, liquidity and results of operations may constitute forward-looking statements. Such statements are subject to the risk that the actual effects may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond the Company's control. Statements regarding expectations or predictions relating to the Company's acquisition of People's United are also forward-looking statements, including statements regarding expected financial results, prospects, targets, goals and outlook.

Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "target," "estimate," "continue," "positions," "prospects" or "potential," by future conditional verbs such as "will," "would," "should," "could," or "may," or by variations of such words or by similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Future Factors include risks, predictions and uncertainties relating to: the impact of the People's United transaction; economic conditions, including inflation and market volatility; the impact of international conflicts and other events; the impact of the COVID-19 pandemic; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity; prepayment speeds, loan originations, credit losses and market values on loans, collateral securing loans, and other assets; sources of liquidity; common shares outstanding; common stock price volatility; fair value of and number of stock-based compensation awards to be issued in future periods; the impact of changes in market values on trust-related revenues; legislation and/or regulations affecting the financial services industry, or M&T and its subsidiaries individually or collectively, including tax policy; regulatory supervision and oversight, including monetary policy and capital requirements; governmental and public policy changes; the outcome of pending and future litigation and governmental proceedings, including tax-related examinations and other matters; changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board, regulatory agencies or legislation; increasing price, product and service competition by competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the mix of products and services; containing costs and expenses; protection and validity of intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in large, multi-year contracts; continued availability of financing; financial resources in the amounts, at the times and on the terms required to support M&T and its subsidiaries' future businesses; and material differences in the actual financial results of merger, acquisition and investment activities compared with M&T's initial expectations, including the full realization of anticipated cost savings and revenue enhancements.

Further details regarding these Future Factors and risks and uncertainties related to the Company are described in the "Risk Factors" section of this annual report. These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which M&T and its subsidiaries do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other Future Factors.

Forward-looking statements speak only as of the date they are made and the Company assumes no duty to update forward-looking statements.

# Table 22

## QUARTERLY TRENDS

| | 2022 Quarters | | | | 2021 Quarters | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth | Third | Second | First | Fourth | Third | Second | First |
| **Earnings and dividends** | | | | | | | | |
| *Amounts in thousands, except per share* | | | | | | | | |
| Interest income (taxable-equivalent basis) | $ 2,085,594 | 1,793,340 | 1,475,868 | 931,490 | 962,081 | 996,649 | 974,090 | 1,020,695 |
| Interest expense | 244,835 | 102,822 | 53,425 | 24,082 | 24,725 | 25,696 | 28,018 | 35,567 |
| Net interest income | 1,840,759 | 1,690,518 | 1,422,443 | 907,408 | 937,356 | 970,953 | 946,072 | 985,128 |
| Less: provision for credit losses | 90,000 | 115,000 | 302,000 | 10,000 | (15,000) | (20,000) | (15,000) | (25,000) |
| Other income | 681,537 | 563,079 | 571,100 | 540,887 | 578,637 | 569,126 | 513,633 | 505,598 |
| Less: other expense | 1,408,288 | 1,279,253 | 1,403,154 | 959,741 | 927,500 | 899,334 | 865,345 | 919,444 |
| Income before income taxes | 1,024,008 | 859,344 | 288,389 | 478,554 | 603,493 | 660,745 | 609,360 | 596,282 |
| Applicable income taxes | 245,252 | 200,921 | 60,141 | 113,146 | 141,962 | 161,582 | 147,559 | 145,300 |
| Taxable-equivalent adjustment | 13,385 | 11,827 | 10,726 | 3,234 | 3,563 | 3,703 | 3,732 | 3,733 |
| Net income | $ 765,371 | 646,596 | 217,522 | 362,174 | 457,968 | 495,460 | 458,069 | 447,249 |
| Net income available to common shareholders-diluted | $ 739,126 | 620,554 | 192,236 | 339,590 | 434,171 | 475,961 | 438,759 | 428,093 |
| Per common share data | | | | | | | | |
| Basic earnings | $ 4.32 | 3.55 | 1.08 | 2.63 | 3.37 | 3.70 | 3.41 | 3.33 |
| Diluted earnings | 4.29 | 3.53 | 1.08 | 2.62 | 3.37 | 3.69 | 3.41 | 3.33 |
| Cash dividends | $ 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.10 | 1.10 | 1.10 |
| Average common shares outstanding | | | | | | | | |
| Basic | 171,187 | 174,609 | 177,367 | 128,945 | 128,698 | 128,689 | 128,671 | 128,537 |
| Diluted | 172,149 | 175,682 | 178,277 | 129,416 | 128,888 | 128,844 | 128,842 | 128,669 |
| **Performance ratios, annualized** | | | | | | | | |
| Return on | | | | | | | | |
| Average assets | 1.53 % | 1.28 % | .42 % | .97 % | 1.15 % | 1.28 % | 1.22 % | 1.22 % |
| Average common shareholders' equity | 12.59 % | 10.43 % | 3.21 % | 8.55 % | 10.91 % | 12.16 % | 11.55 % | 11.57 % |
| Net interest margin on average earning assets (taxable-equivalent basis) | 4.06 % | 3.68 % | 3.01 % | 2.65 % | 2.58 % | 2.74 % | 2.77 % | 2.97 % |
| Nonaccrual loans to total loans and leases, net of unearned discount | 1.85 % | 1.89 % | 2.05 % | 2.32 % | 2.22 % | 2.40 % | 2.31 % | 1.97 % |
| **Net operating (tangible) results (a)** | | | | | | | | |
| Net operating income (in thousands) | $ 812,359 | 700,030 | 577,622 | 375,999 | 475,477 | 504,030 | 462,959 | 457,372 |
| Diluted net operating income per common share | $ 4.57 | 3.83 | 3.10 | 2.73 | 3.50 | 3.76 | 3.45 | 3.41 |
| Annualized return on | | | | | | | | |
| Average tangible assets | 1.70 % | 1.44 % | 1.16 % | 1.04 % | 1.23 % | 1.34 % | 1.27 % | 1.29 % |
| Average tangible common shareholders' equity | 21.29 % | 17.89 % | 14.41 % | 12.44 % | 15.98 % | 17.54 % | 16.68 % | 17.05 % |
| Efficiency ratio (b) | 53.3 % | 53.6 % | 58.3 % | 64.9 % | 59.7 % | 57.7 % | 58.4 % | 60.3 % |
| **Balance sheet data** | | | | | | | | |
| *In millions, except per share* | | | | | | | | |
| Average balances | | | | | | | | |
| Total assets (c) | $ 198,592 | 201,131 | 208,865 | 151,648 | 157,722 | 154,037 | 150,641 | 148,157 |
| Total tangible assets (c) | 189,934 | 192,450 | 200,170 | 147,053 | 153,125 | 149,439 | 146,041 | 143,554 |
| Earning assets | 179,914 | 182,382 | 189,755 | 138,624 | 144,420 | 140,420 | 136,951 | 134,355 |
| Investment securities | 25,297 | 23,945 | 22,384 | 7,724 | 6,804 | 6,019 | 6,211 | 6,605 |
| Loans and leases, net of unearned discount | 129,406 | 127,525 | 127,599 | 92,159 | 93,250 | 95,314 | 98,610 | 99,356 |
| Deposits | 163,468 | 167,271 | 174,683 | 128,055 | 134,444 | 131,255 | 128,413 | 125,733 |
| Common shareholders' equity (c) | 23,335 | 23,654 | 24,079 | 16,144 | 15,863 | 15,614 | 15,321 | 15,077 |
| Tangible common shareholders' equity (c) | 14,677 | 14,973 | 15,384 | 11,549 | 11,266 | 11,016 | 10,721 | 10,474 |
| At end of quarter | | | | | | | | |
| Total assets (c) | $ 200,730 | 197,955 | 204,033 | 149,864 | 155,107 | 151,901 | 150,623 | 150,481 |
| Total tangible assets (c) | 192,082 | 189,281 | 195,344 | 145,269 | 150,511 | 147,304 | 146,023 | 145,879 |
| Earning assets | 181,855 | 178,351 | 185,109 | 137,237 | 141,990 | 138,527 | 137,171 | 137,367 |
| Investment securities | 25,211 | 24,604 | 22,802 | 9,357 | 7,156 | 6,448 | 6,143 | 6,611 |
| Loans and leases, net of unearned discount | 131,564 | 128,226 | 128,486 | 91,808 | 92,912 | 93,583 | 97,113 | 99,299 |
| Deposits | 163,515 | 163,845 | 170,358 | 126,319 | 131,543 | 128,701 | 128,269 | 128,476 |
| Common shareholders' equity (c) | 23,307 | 23,245 | 23,784 | 16,126 | 16,153 | 15,779 | 15,470 | 15,197 |
| Tangible common shareholders' equity (c) | 14,659 | 14,571 | 15,095 | 11,531 | 11,557 | 11,182 | 10,870 | 10,595 |
| Equity per common share | 137.68 | 134.45 | 135.16 | 124.93 | 125.51 | 122.60 | 120.22 | 118.12 |
| Tangible equity per common share | 86.59 | 84.28 | 85.78 | 89.33 | 89.80 | 86.88 | 84.47 | 82.35 |

*(a) Excludes amortization and balances related to goodwill and core deposit and other intangible assets and merger-related expenses which, except in the calculation of the efficiency ratio, are net of applicable income tax effects. A reconciliation of net income and net operating income appears in Table 23.*

*(b) Excludes impact of merger-related expenses and net securities transactions.*

*(c) The difference between total assets and total tangible assets, and common shareholders' equity and tangible common shareholders' equity, represents goodwill, core deposit and other intangible assets, net of applicable deferred tax balances. A reconciliation of such balances appears in Table 23.*

## Table 23

# RECONCILIATION OF QUARTERLY GAAP TO NON-GAAP MEASURES

| | 2022 Quarters | | | | 2021 Quarters | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth | Third | Second | First | Fourth | Third | Second | First |
| **Income statement data (in thousands, except per share)** | | | | | | | | |
| **Net income** | | | | | | | | |
| Net income | $ 765,371 | 646,596 | 217,522 | 362,174 | 457,968 | 495,460 | 458,069 | 447,249 |
| Amortization of core deposit and other intangible assets (a) | 13,559 | 14,141 | 14,138 | 933 | 1,447 | 2,028 | 2,023 | 2,034 |
| Merger-related expenses (a) | 33,429 | 39,293 | 345,962 | 12,892 | 16,062 | 6,542 | 2,867 | 8,089 |
| Net operating income | $ 812,359 | 700,030 | 577,622 | 375,999 | 475,477 | 504,030 | 462,959 | 457,372 |
| **Earnings per common share** | | | | | | | | |
| Diluted earnings per common share | $ 4.29 | 3.53 | 1.08 | 2.62 | 3.37 | 3.69 | 3.41 | 3.33 |
| Amortization of core deposit and other intangible assets (a) | .08 | .08 | .08 | .01 | .01 | .02 | .02 | .02 |
| Merger-related expenses (a) | .20 | .22 | 1.94 | .10 | .12 | .05 | .02 | .06 |
| Diluted net operating earnings per common share | $ 4.57 | 3.83 | 3.10 | 2.73 | 3.50 | 3.76 | 3.45 | 3.41 |
| **Other expense** | | | | | | | | |
| Other expense | $ 1,408,288 | 1,279,253 | 1,403,154 | 959,741 | 927,500 | 899,334 | 865,345 | 919,444 |
| Amortization of core deposit and other intangible assets | (17,600) | (18,384) | (18,384) | (1,256) | (1,954) | (2,738) | (2,737) | (2,738) |
| Merger-related expenses | (45,113) | (53,027) | (222,809) | (17,372) | (21,190) | (8,826) | (3,893) | (9,951) |
| Noninterest operating expense | $ 1,345,575 | 1,207,842 | 1,161,961 | 941,113 | 904,356 | 887,770 | 858,715 | 906,755 |
| **Merger-related expenses** | | | | | | | | |
| Salaries and employee benefits | $ 3,670 | 13,094 | 85,299 | 87 | 112 | 60 | 4 | — |
| Equipment and net occupancy | 2,294 | 2,106 | 502 | 1,807 | 340 | 1 | — | — |
| Outside data processing and software | 2,193 | 2,277 | 716 | 252 | 250 | 625 | 244 | — |
| Advertising and marketing | 5,258 | 2,177 | 1,199 | 628 | 337 | 505 | 24 | — |
| Printing, postage and supplies | 2,953 | 651 | 2,460 | 722 | 186 | 730 | 2,049 | — |
| Other costs of operations | 28,745 | 32,722 | 132,633 | 13,876 | 19,965 | 6,905 | 1,572 | 9,951 |
| Other expense | 45,113 | 53,027 | 222,809 | 17,372 | 21,190 | 8,826 | 3,893 | 9,951 |
| Provision for credit losses | — | — | 242,000 | — | — | — | — | — |
| Total | $ 45,113 | $ 53,027 | $ 464,809 | $ 17,372 | $ 21,190 | $ 8,826 | $ 3,893 | $ 9,951 |
| **Efficiency ratio** | | | | | | | | |
| Noninterest operating expense (numerator) | $ 1,345,575 | 1,207,842 | 1,161,961 | 941,113 | 904,356 | 887,770 | 858,715 | 906,755 |
| Taxable-equivalent net interest income | $ 1,840,759 | 1,690,518 | 1,422,443 | 907,408 | 937,356 | 970,953 | 946,072 | 985,128 |
| Other income | 681,537 | 563,079 | 571,100 | 540,887 | 578,637 | 569,126 | 513,633 | 505,598 |
| Less: Gain (loss) on bank investment securities | (3,773) | (1,108) | (62) | (743) | 1,426 | 291 | (10,655) | (12,282) |
| Denominator | $ 2,526,069 | 2,254,705 | 1,993,605 | 1,449,038 | 1,514,567 | 1,539,788 | 1,470,360 | 1,503,008 |
| Efficiency ratio | 53.3% | 53.6% | 58.3% | 64.9% | 59.7% | 57.7% | 58.4% | 60.3% |
| **Balance sheet data (in millions)** | | | | | | | | |
| **Average assets** | | | | | | | | |
| Average assets | $ 198,592 | 201,131 | 208,865 | 151,648 | 157,722 | 154,037 | 150,641 | 148,157 |
| Goodwill | (8,494) | (8,501) | (8,501) | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (218) | (236) | (254) | (3) | (5) | (7) | (10) | (13) |
| Deferred taxes | 54 | 56 | 60 | 1 | 1 | 2 | 3 | 3 |
| Average tangible assets | $ 189,934 | 192,450 | 200,170 | 147,053 | 153,125 | 149,439 | 146,041 | 143,554 |
| **Average common equity** | | | | | | | | |
| Average total equity | $ 25,346 | 25,665 | 26,090 | 17,894 | 17,613 | 17,109 | 16,571 | 16,327 |
| Preferred stock | (2,011) | (2,011) | (2,011) | (1,750) | (1,750) | (1,495) | (1,250) | (1,250) |
| Average common equity | 23,335 | 23,654 | 24,079 | 16,144 | 15,863 | 15,614 | 15,321 | 15,077 |
| Goodwill | (8,494) | (8,501) | (8,501) | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (218) | (236) | (254) | (3) | (5) | (7) | (10) | (13) |
| Deferred taxes | 54 | 56 | 60 | 1 | 1 | 2 | 3 | 3 |
| Average tangible common equity | $ 14,677 | 14,973 | 15,384 | 11,549 | 11,266 | 11,016 | 10,721 | 10,474 |
| **At end of quarter** | | | | | | | | |
| **Total assets** | | | | | | | | |
| Total assets | $ 200,730 | 197,955 | 204,033 | 149,864 | 155,107 | 151,901 | 150,623 | 150,481 |
| Goodwill | (8,490) | (8,501) | (8,501) | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (209) | (227) | (245) | (3) | (4) | (6) | (9) | (12) |
| Deferred taxes | 51 | 54 | 57 | 1 | 1 | 2 | 2 | 3 |
| Total tangible assets | $ 192,082 | 189,281 | 195,344 | 145,269 | 150,511 | 147,304 | 146,023 | 145,879 |
| **Total common equity** | | | | | | | | |
| Total equity | $ 25,318 | 25,256 | 25,795 | 17,876 | 17,903 | 17,529 | 16,720 | 16,447 |
| Preferred stock | (2,011) | (2,011) | (2,011) | (1,750) | (1,750) | (1,750) | (1,250) | (1,250) |
| Common equity | 23,307 | 23,245 | 23,784 | 16,126 | 16,153 | 15,779 | 15,470 | 15,197 |
| Goodwill | (8,490) | (8,501) | (8,501) | (4,593) | (4,593) | (4,593) | (4,593) | (4,593) |
| Core deposit and other intangible assets | (209) | (227) | (245) | (3) | (4) | (6) | (9) | (12) |
| Deferred taxes | 51 | 54 | 57 | 1 | 1 | 2 | 2 | 3 |
| Total tangible common equity | $ 14,659 | 14,571 | 15,095 | 11,531 | 11,557 | 11,182 | 10,870 | 10,595 |

*(a) After any related tax effect.*

**Item 7A.** ***Quantitative and Qualitative Disclosures About Market Risk.***

Incorporated by reference to the discussion contained in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the captions "Liquidity, Market Risk, and Interest Rate Sensitivity" (including Table 20) and "Capital."

**Item 8.** ***Financial Statements and Supplementary Data.***

Financial Statements and Supplementary Data consist of the financial statements as indexed and presented below and Table 22 "Quarterly Trends" presented in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Index to Financial Statements and Financial Statement Schedules**

**Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting at M&T Bank Corporation and subsidiaries (“the Company”). Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2022 based on criteria described in “Internal Control — Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2022. Management has excluded processes and controls of People’s United that have not yet been converted to M&T's systems or processes from its assessment of internal control over financial reporting for the year ended December 31, 2022. Assets and liabilities associated with those processes and procedures as of December 31, 2022 include loans and leases of $5.8 billion, other assets of $107 million and other liabilities of $184 million. Approximately $280 million of total revenues for the nine months ended December 31, 2022 was contributed from business activities of People's United that have not yet been converted to M&T's systems or processes.

The consolidated financial statements of the Company have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, that was engaged to express an opinion as to the fairness of presentation of such financial statements. PricewaterhouseCoopers LLP was also engaged to assess the effectiveness of the Company’s internal control over financial reporting. The report of PricewaterhouseCoopers LLP follows this report.

M&T BANK CORPORATION

René F. Jones
*Chairman of the Board and Chief Executive Officer*

Darren J. King
*Senior Executive Vice President and Chief Financial Officer*

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of M&T Bank Corporation

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheet of M&T Bank Corporation and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for the allowance for credit losses as of January 1, 2020.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded certain elements of the internal control over financial reporting of People's United Financial, Inc. ("People's United") from its assessment of the Company's internal control over financial reporting as of December 31, 2022 because it was acquired by the Company in a purchase business combination during 2022. Subsequent to the acquisition, certain elements of People's United's internal control over financial reporting and related processes were integrated into the Company's existing systems and internal control over financial reporting. Those controls that were not integrated have been excluded from management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. We have also excluded these elements of the internal control over financial reporting of People's United from our audit of the Company's internal control over financial reporting. The excluded elements represent controls over approximately $5.9 billion of the Company's consolidated total assets of $200.7 billion, $184 million of the Company's consolidated total liabilities of $175.4 billion, and $280 million of the Company's consolidated total interest and other income of $8.6 billion.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Acquisition of People's United Financial, Inc. - Fair Value of Acquired Commercial Real Estate Loans*

As described in Note 2 to the consolidated financial statements, on April 1, 2022, the Company completed the acquisition of People's United Financial, Inc. ("People's United"). The People's United transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and preferred stock converted were recorded at estimated fair value on the acquisition date. As disclosed by management, the fair value of loans acquired from People's United totaled $35.8 billion as of April 1, 2022, of which $13.5 billion were commercial real estate loans. The fair values of loans were generally based on a discounted cash flow methodology that considered market interest rates, expected credit losses, prepayment assumptions and other market factors for loans with similar characteristics including loan type, collateral, fixed or variable interest rate and credit risk characteristics.

The principal considerations for our determination that performing procedures relating to the fair value of acquired commercial real estate loans in the acquisition of People's United is a critical audit matter are (i) the significant judgment and estimation by management in developing the market interest rate, expected credit losses, and prepayment assumptions used in estimating the fair value of the acquired commercial real estate loans, (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's development of market interest rates, expected credit losses, and prepayment assumptions, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's fair value of the acquired commercial real estate loans. These procedures also included, among others, testing the completeness and accuracy of the underlying acquired commercial real estate loan data provided by management that was used to develop the fair value of acquired commercial real estate loans, and the involvement of professionals with specialized skill and knowledge to assist in evaluating the reasonableness of management's estimate by developing independent ranges of fair value for the acquired commercial real estate loans using independently developed market interest rates, expected credit losses, and prepayment assumptions and comparing the independent ranges to management's estimate.

*Allowance for Credit Losses – Adjustments to model forecasts*

As described in Notes 1 and 5 to the consolidated financial statements, the Company's allowance for credit losses of $1.9 billion reflects management's expected credit losses in the loan and lease portfolio of $131.6 billion as of December 31, 2022. For purposes of determining the level of the allowance for credit losses, management evaluates the Company's loan and lease portfolio by type. Management utilizes statistically developed models to project principal balances over the remaining contractual lives of the loan portfolios and to determine estimated credit losses through a reasonable and supportable forecast period. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. Management also considered the impact of portfolio concentrations, changes in underwriting practices, product expansions into new markets, imprecision in its economic forecasts, geopolitical conditions and other risk factors that might influence the loss estimation process.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses, specifically certain adjustments to model forecasts, is a critical audit matter are (i) the significant judgment by management in determining the adjustments to model forecasts, (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence related to management's determination of these adjustments to model forecasts, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for credit losses estimation process, including controls relating to the allowance for credit losses estimation process for certain adjustments to model forecasts. These procedures also included, among others, testing management's process for determining the allowance for credit losses and these adjustments to model forecasts, including evaluating the appropriateness of management's methodology, testing the data utilized by management and evaluating the reasonableness of significant assumptions relating to these adjustments to model forecasts. Evaluating significant assumptions relating to these adjustments to model forecasts involved evaluating portfolio composition and concentration, as well as relevant market data. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's methodology and the reasonableness of significant assumptions relating to these adjustments to model forecasts.

PricewaterhouseCoopers LLP

Buffalo, New York
February 22, 2023

We have served as the Company's auditor since 1984.

# M&T BANK CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheet

| (Dollars in thousands, except per share) | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 1,517,244 | $ 1,337,577 |
| Interest-bearing deposits at banks | 24,958,719 | 41,872,304 |
| Federal funds sold | 3,000 | — |
| Trading account | 117,847 | 49,745 |
| Investment securities | | |
| Available for sale (cost: $11,193,152 at December 31, 2022; $3,849,347 at December 31, 2021) | 10,748,961 | 3,955,804 |
| Held to maturity (fair value: $12,375,420 at December 31, 2022; $2,771,290 at December 31, 2021) | 13,529,969 | 2,734,674 |
| Equity and other securities (cost: $933,766 at December 31, 2022; $461,516 at December 31, 2021) | 931,941 | 465,382 |
| Total investment securities | 25,210,871 | 7,155,860 |
| Loans and leases | 132,074,156 | 93,136,678 |
| Unearned discount | (509,993) | (224,226) |
| Loans and leases, net of unearned discount | 131,564,163 | 92,912,452 |
| Allowance for credit losses | (1,925,331) | (1,469,226) |
| Loans and leases, net | 129,638,832 | 91,443,226 |
| Premises and equipment | 1,653,628 | 1,144,765 |
| Goodwill | 8,490,089 | 4,593,112 |
| Core deposit and other intangible assets | 209,374 | 3,998 |
| Accrued interest and other assets | 8,930,237 | 7,506,573 |
| Total assets | $ 200,729,841 | $ 155,107,160 |
| **Liabilities** | | |
| Noninterest-bearing deposits | $ 65,501,860 | $ 60,131,480 |
| Savings and interest-checking deposits | 87,911,463 | 68,603,966 |
| Time deposits | 10,101,545 | 2,807,963 |
| Total deposits | 163,514,868 | 131,543,409 |
| Short-term borrowings | 3,554,951 | 47,046 |
| Accrued interest and other liabilities | 4,377,495 | 2,127,931 |
| Long-term borrowings | 3,964,537 | 3,485,369 |
| Total liabilities | 175,411,851 | 137,203,755 |
| **Shareholders' equity** | | |
| Preferred stock, $1.00 par, 20,000,000 shares authorized; Issued and outstanding: Liquidation preference of $1,000 per share: 350,000 shares at December 31, 2022 and December 31, 2021; Liquidation preference of $10,000 per share: 140,000 shares at December 31, 2022 and 2021; Liquidation preference of $25 per share: 10,000,000 shares at December 31, 2022 | 2,010,600 | 1,750,000 |
| Common stock, $.50 par, 250,000,000 shares authorized, 179,436,779 shares issued at December 31, 2022 and 159,741,898 shares issued at December 31, 2021 | 89,718 | 79,871 |
| Common stock issuable, 14,031 shares at December 31, 2022; 15,769 shares at December 31, 2021 | 1,112 | 1,212 |
| Additional paid-in capital | 10,002,891 | 6,635,000 |
| Retained earnings | 15,753,978 | 14,646,448 |
| Accumulated other comprehensive income (loss), net | (790,030) | (127,578) |
| Treasury stock — common, at cost — 10,165,419 shares at December 31, 2022; 31,052,845 shares at December 31, 2021 | (1,750,279) | (5,081,548) |
| Total shareholders' equity | 25,317,990 | 17,903,405 |
| Total liabilities and shareholders' equity | $ 200,729,841 | $ 155,107,160 |

*See accompanying notes to financial statements.*

## M&T BANK CORPORATION AND SUBSIDIARIES

### Consolidated Statement of Income

| (In thousands, except per share) | Year Ended December 31, 2022 | 2021 | 2020 |
|---|---|---|---|
| **Interest income** | | | |
| Loans and leases, including fees | $ 5,237,405 | $ 3,748,988 | $ 3,975,053 |
| Investment securities | | | |
| Fully taxable | 447,646 | 141,046 | 176,469 |
| Exempt from federal taxes | 51,113 | 116 | 183 |
| Deposits at banks | 509,030 | 47,491 | 32,956 |
| Other | 1,926 | 1,143 | 8,051 |
| Total interest income | 6,247,120 | 3,938,784 | 4,192,712 |
| **Interest expense** | | | |
| Savings and interest-checking deposits | 270,765 | 32,998 | 146,701 |
| Time deposits | 23,867 | 18,635 | 66,280 |
| Deposits at Cayman Islands office | — | 201 | 4,054 |
| Short-term borrowings | 19,426 | 7 | 28 |
| Long-term borrowings | 111,106 | 62,165 | 109,332 |
| Total interest expense | 425,164 | 114,006 | 326,395 |
| *Net interest income* | 5,821,956 | 3,824,778 | 3,866,317 |
| Provision for credit losses | 517,000 | (75,000) | 800,000 |
| Net interest income after provision for credit losses | 5,304,956 | 3,899,778 | 3,066,317 |
| **Other income** | | | |
| Mortgage banking revenues | 356,636 | 571,329 | 566,641 |
| Service charges on deposit accounts | 446,604 | 402,113 | 370,788 |
| Trust income | 740,717 | 644,716 | 601,884 |
| Brokerage services income | 87,877 | 62,791 | 47,428 |
| Trading account and non-hedging derivative gains | 26,786 | 24,376 | 40,536 |
| Gain (loss) on bank investment securities | (5,686) | (21,220) | (9,421) |
| Other revenues from operations | 703,669 | 482,889 | 470,588 |
| Total other income | 2,356,603 | 2,166,994 | 2,088,444 |
| **Other expense** | | | |
| Salaries and employee benefits | 2,787,351 | 2,045,677 | 1,950,692 |
| Equipment and net occupancy | 474,316 | 326,698 | 322,037 |
| Outside data processing and software | 376,493 | 291,839 | 258,480 |
| FDIC assessments | 90,274 | 69,704 | 53,803 |
| Advertising and marketing | 90,748 | 64,428 | 61,904 |
| Printing, postage and supplies | 55,570 | 36,507 | 39,869 |
| Amortization of core deposit and other intangible assets | 55,624 | 10,167 | 14,869 |
| Other costs of operations | 1,120,060 | 766,603 | 683,586 |
| Total other expense | 5,050,436 | 3,611,623 | 3,385,240 |
| Income before taxes | 2,611,123 | 2,455,149 | 1,769,521 |
| Income taxes | 619,460 | 596,403 | 416,369 |
| *Net income* | $ 1,991,663 | $ 1,858,746 | $ 1,353,152 |
| **Net income available to common shareholders** | | | |
| Basic | $ 1,891,469 | $ 1,776,977 | $ 1,279,066 |
| Diluted | 1,891,480 | 1,776,987 | 1,279,068 |
| **Net income per common share** | | | |
| Basic | $ 11.59 | $ 13.81 | $ 9.94 |
| Diluted | 11.53 | 13.80 | 9.94 |

*See accompanying notes to financial statements.*

## M&T BANK CORPORATION AND SUBSIDIARIES

### Consolidated Statement of Comprehensive Income

| (In thousands) | Year Ended December 31 2022 | 2021 | 2020 |
|---|---|---|---|
| Net income | $ 1,991,663 | $ 1,858,746 | $1,353,152 |
| Other comprehensive income (loss), net of tax and reclassification adjustments: | | | |
| Net unrealized gains (losses) on investment securities | (406,793) | (66,977) | 107,222 |
| Cash flow hedges adjustments | (314,831) | (210,626) | 172,787 |
| Foreign currency translation adjustments | (5,787) | (862) | 2,284 |
| Defined benefit plans liability adjustments | 64,959 | 213,919 | (138,645) |
| Total other comprehensive income (loss) | (662,452) | (64,546) | 143,648 |
| Total comprehensive income | $ 1,329,211 | $ 1,794,200 | $1,496,800 |

*See accompanying notes to financial statements.*

## M&T BANK CORPORATION AND SUBSIDIARIES

### Consolidated Statement of Cash Flows

| (In thousands) | Year Ended December 31 2022 | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | $ 1,991,663 | $ 1,858,746 | $ 1,353,152 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Provision for credit losses | 517,000 | (75,000) | 800,000 |
| Depreciation and amortization of premises and equipment | 282,056 | 224,274 | 220,598 |
| Amortization of capitalized servicing rights | 96,463 | 89,767 | 84,821 |
| Amortization of core deposit and other intangible assets | 55,624 | 10,167 | 14,869 |
| Provision for deferred income taxes | (29,987) | 87,159 | (31,291) |
| Asset write-downs | 8,471 | 8,431 | 21,014 |
| Net gain on sales of assets | (153,491) | (10,308) | (19,441) |
| Net change in accrued interest receivable, payable | (122,755) | 65,724 | (132,252) |
| Net change in other accrued income and expense | (69,993) | 52,540 | (418,752) |
| Net change in loans originated for sale | 771,458 | (163,623) | (542,078) |
| Net change in trading account and non-hedging derivative assets and liabilities | 1,227,231 | 567,082 | (561,453) |
| Net cash provided by operating activities | 4,573,740 | 2,714,959 | 789,187 |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of investment securities | | | |
| Equity and other securities | 242,596 | 17,654 | 67,036 |
| Proceeds from maturities of investment securities | | | |
| Available for sale | 795,157 | 1,433,793 | 1,614,557 |
| Held to maturity | 1,515,623 | 615,201 | 911,555 |
| Purchases of investment securities | | | |
| Available for sale | (7,221,885) | (677,916) | (7,581) |
| Held to maturity | (1,889,954) | (1,601,698) | (11,993) |
| Equity and other securities | (456,024) | (30,153) | (29,004) |
| Net (increase) decrease in loans and leases | (3,639,040) | 5,676,670 | (7,231,694) |
| Net (increase) decrease in interest-bearing deposits at banks | 26,106,931 | (18,208,494) | (16,473,656) |
| Capital expenditures, net | (214,388) | (149,213) | (172,289) |
| Net (increase) decrease in loan servicing advances | 1,578,825 | (197,141) | (754,823) |
| Acquisition, net of cash consideration | | | |
| Bank and bank holding company | 393,923 | — | — |
| Other, net | (619,028) | (510,302) | 67,411 |
| Net cash provided (used) by investing activities | 16,592,736 | (13,631,599) | (22,020,481) |
| **Cash flows from financing activities** | | | |
| Net increase (decrease) in deposits | (20,993,952) | 11,737,671 | 25,037,167 |
| Net increase (decrease) in short-term borrowings | 2,613,036 | (12,436) | (2,881) |
| Proceeds from long-term borrowings | 998,540 | 9,500 | — |
| Payments on long-term borrowings | (907,240) | (853,091) | (2,665,023) |
| Purchases of treasury stock | (1,800,000) | — | (373,750) |
| Dividends paid — common | (784,089) | (580,260) | (568,112) |
| Dividends paid — preferred | (96,927) | (68,200) | (68,256) |
| Proceeds from issuance of Series I preferred stock | — | 495,000 | — |
| Other, net | (13,177) | (26,710) | (11,413) |
| Net cash provided (used) by financing activities | (20,983,809) | 10,701,474 | 21,347,732 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 182,667 | (215,166) | 116,438 |
| Cash, cash equivalents and restricted cash at beginning of period | 1,337,577 | 1,552,743 | 1,436,305 |
| Cash, cash equivalents and restricted cash at end of period | $ 1,520,244 | $ 1,337,577 | $ 1,552,743 |
| **Supplemental disclosure of cash flow information** | | | |
| Interest received during the period | $ 6,134,684 | $ 3,976,804 | $ 4,135,990 |
| Interest paid during the period | 428,772 | 139,164 | 372,291 |
| Income taxes paid during the period | 487,618 | 314,295 | 275,558 |
| **Supplemental schedule of noncash investing and financing activities** | | | |
| Real estate acquired in settlement of loans | $ 31,376 | $ 8,851 | $ 20,646 |
| Additions to right-of-use assets under operating leases | 137,998 | 57,760 | 70,754 |
| Loans held for sale transferred to loans held for investment | — | 330,188 | — |
| Acquisition of bank and bank holding company | | | |
| Common stock issued | 8,286,515 | — | — |
| Common stock awards converted | 104,810 | — | — |
| Fair value of | | | |
| Assets acquired (noncash) | 63,757,316 | — | — |
| Liabilities assumed | 55,499,314 | — | — |
| Preferred stock converted | 260,600 | — | — |

*See accompanying notes to financial statements.*

**M&T BANK CORPORATION AND SUBSIDIARIES**

## Consolidated Statement of Changes in Shareholders' Equity

| Dollars in thousands, except per share | Preferred Stock | Common Stock | Common Stock Issuable | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss), Net | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | |
| Balance — January 1, 2020 | $1,250,000 | 79,871 | 1,566 | 6,593,539 | 12,820,916 | (206,680) | (4,822,563) | $15,716,649 |
| Cumulative effect of change in accounting principle — credit losses | — | — | — | — | (91,925) | — | — | (91,925) |
| Total comprehensive income | — | — | — | — | 1,353,152 | 143,648 | — | 1,496,800 |
| Preferred stock cash dividends | — | — | — | — | (68,228) | — | — | (68,228) |
| Purchases of treasury stock | — | — | — | — | — | — | (373,750) | (373,750) |
| Stock-based compensation transactions, net | — | — | (222) | 23,865 | (411) | — | 53,581 | 76,813 |
| Common stock cash dividends — $4.40 per share | — | — | — | — | (569,076) | — | — | (569,076) |
| Balance — December 31, 2020 | $1,250,000 | 79,871 | 1,344 | 6,617,404 | 13,444,428 | (63,032) | (5,142,732) | $16,187,283 |
| **2021** | | | | | | | | |
| Total comprehensive income | — | — | — | — | 1,858,746 | (64,546) | — | 1,794,200 |
| Preferred stock cash dividends | — | — | — | — | (72,915) | — | — | (72,915) |
| Issuance of Series I preferred stock | 500,000 | — | — | (5,000) | — | — | — | 495,000 |
| Stock-based compensation transactions, net | — | — | (132) | 22,596 | (844) | — | 61,184 | 82,804 |
| Common stock cash dividends — $4.50 per share | — | — | — | — | (582,967) | — | — | (582,967) |
| Balance — December 31, 2021 | $1,750,000 | 79,871 | 1,212 | 6,635,000 | 14,646,448 | (127,578) | (5,081,548) | $17,903,405 |
| **2022** | | | | | | | | |
| Total comprehensive income | — | — | — | — | 1,991,663 | (662,452) | — | 1,329,211 |
| Acquisition of People's United Financial, Inc.: | | | | | | | | |
| Common stock issued | — | 9,824 | — | 3,256,821 | — | — | 5,019,870 | 8,286,515 |
| Common stock awards converted | — | — | — | 104,810 | — | — | — | 104,810 |
| Conversion of Series H preferred stock | 260,600 | — | — | — | — | — | — | 260,600 |
| Preferred stock cash dividends | — | — | — | — | (96,587) | — | — | (96,587) |
| Purchases of treasury stock | — | — | — | — | — | — | (1,800,000) | (1,800,000) |
| Stock-based compensation transactions, net | — | 23 | (100) | 6,260 | (1,301) | — | 111,399 | 116,281 |
| Common stock cash dividends — $4.80 per share | — | — | — | — | (786,245) | — | — | (786,245) |
| Balance — December 31, 2022 | $2,010,600 | 89,718 | 1,112 | 10,002,891 | 15,753,978 | (790,030) | (1,750,279) | $25,317,990 |

*See accompanying notes to financial statements.*

**M&T BANK CORPORATION AND SUBSIDIARIES**

**Notes to Financial Statements**

**1. Significant accounting policies**

M&T Bank Corporation ("M&T") is a bank holding company headquartered in Buffalo, New York. Through subsidiaries, M&T provides individuals, corporations and other businesses, and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking, asset management, insurance and other financial services. Banking activities are largely focused on consumers residing in New York State, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Massachusetts, Maine, Vermont, New Hampshire, Virginia, West Virginia, and the District of Columbia and on small and medium-size businesses based in those areas. Certain subsidiaries also conduct activities in other areas.

The accounting and reporting policies of M&T and subsidiaries ("the Company") are in accordance with accounting principles generally accepted in the United States of America ("GAAP") and general practices within the banking industry. Following the acquisition of People's United Financial, Inc. ("People's United") on April 1, 2022 and conformance of financial statement presentation, certain reclassifications have been made to prior period amounts to conform with current period presentation. The reclassifications had no effect on the previously reported total assets, total liabilities, shareholders' equity or net income. Specifically, the fair values of interest rate and foreign exchange derivative contracts not designated as hedging instruments as presented in note 19 have been included in other assets and other liabilities rather than in trading account assets and liabilities. The preparation of financial statements in conformity 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 reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

***Consolidation***

The consolidated financial statements include M&T and all of its subsidiaries. All significant intercompany accounts and transactions of consolidated subsidiaries have been eliminated in consolidation. The financial statements of M&T included in note 26 report investments in subsidiaries under the equity method. Information about some limited purpose entities that are affiliates of the Company but are not included in the consolidated financial statements appears in note 20.

***Consolidated Statement of Cash Flows***

For purposes of this statement, cash and due from banks and federal funds sold are considered cash and cash equivalents.

***Securities purchased under agreements to resell and securities sold under agreements to repurchase***

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at amounts equal to the cash or other consideration exchanged. It is generally the Company's policy to take possession of collateral pledged to secure agreements to resell.

***Trading account***

Financial instruments used for trading purposes are stated at fair value. Realized gains and losses and unrealized changes in fair value of financial instruments utilized in trading activities are included in "trading account and non-hedging derivative gains" in the consolidated statement of income.

***Investment securities***
Investments in debt securities are classified as held to maturity and stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in other debt securities are classified as available for sale and stated at estimated fair value with unrealized changes in fair value included in "accumulated other comprehensive income (loss), net." Investments in equity securities having readily determinable fair values are stated at fair value and unrealized changes in fair value are included in earnings. Investments in equity securities that do not have readily determinable fair values are stated at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Amortization of premiums and accretion of discounts for investment securities available for sale and held to maturity are included in interest income.

Other securities are stated at cost and include stock of the Federal Reserve Bank of New York and the Federal Home Loan Bank ("FHLB") of New York.

GAAP requires an allowance for credit losses be deducted from the amortized cost basis of financial assets, including investment securities held to maturity, to present the net carrying value at the amount that is expected to be collected over the contractual term. In cases where fair value of an available-for-sale debt security is less than its amortized cost basis and the Company does not intend to sell the available-for-sale debt security and it is not more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis, the difference between the fair value and the amortized cost basis is separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount related to the credit loss is recognized as an allowance for credit losses while the amount related to other factors is recognized in other comprehensive income, net of applicable income taxes. If the Company intends to sell the security or it is more likely than not to be required to sell the security before recovery of the amortized cost basis, the security is written down to fair value with the entire amount recognized in earnings. Subsequently, the Company accounts for the debt security as if the security had been purchased on the measurement date of the write down at an amortized cost basis equal to the previous amortized cost basis less the amount of the write down recognized in earnings. Realized gains and losses on the sales of investment securities are determined using the specific identification method.

***Loans and leases***
The Company's accounting methods for loans depends on whether the loans were originated or acquired by the Company.

<u>Originated loans and leases</u>
Loan fees and certain direct loan origination costs are deferred and recognized as an interest yield adjustment over the life of the loan. Net deferred fees have been included in unearned discount as a reduction of loans outstanding. Interest income on loans is accrued on a level yield method. Loans are placed on nonaccrual status and previously accrued interest thereon is charged against income when it is probable that the Company will be unable to collect all amounts according to the contractual terms of the loan agreement or when principal or interest is delinquent 90 days. Certain loans greater than 90 days delinquent continue to accrue interest if they are well-secured and in the process of collection. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and generally continue to accrue interest. Interest received on loans placed on nonaccrual status is generally applied to reduce the carrying value of the loan or, if principal is considered fully collectable, recognized as interest income. Nonaccrual commercial loans and commercial real estate loans are returned to accrual status when borrowers have demonstrated an ability to repay their loans and there are no delinquent principal and interest payments. Loans secured by residential real estate are returned to accrual status when they are deemed to have an insignificant delay in payments of 90 days or less. Consumer loans

not secured by residential real estate are returned to accrual status when all past due principal and interest payments have been paid by the borrower. Loan balances are charged off when it becomes evident that such balances are not fully collectable. For commercial loans and commercial real estate loans, charge-offs are recognized after an assessment by credit personnel of the capacity and willingness of the borrower to repay, the estimated value of any collateral, and any other potential sources of repayment. A charge-off is recognized when, after such assessment, it becomes evident that the loan balance is not fully collectable. For loans secured by residential real estate, the excess of the loan balances over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. Consumer loans are generally charged-off when the loans are 91 to 180 days past due, depending on whether the loan is collateralized and the status of repossession activities with respect to such collateral.

During the normal course of business, the Company modifies loans to maximize recovery efforts. If a borrower is experiencing financial difficulty and a concession to the terms of the loan agreement is granted that the Company would not otherwise consider, the modification is considered a troubled debt restructuring and such loans are classified as either nonaccrual or renegotiated loans. Due to the direct and indirect effects of the Coronavirus Disease 2019 ("COVID-19") pandemic, a dramatic reduction in economic activity severely hampered the ability for businesses and consumers to meet their repayment obligations. The Coronavirus Aid, Relief, and Economic Security Act and the Consolidated Appropriations Act, 2021 (collectively "CARES Act"), in addition to providing financial assistance to both businesses and consumers, created a forbearance program for federally-backed mortgage loans, protected borrowers from negative credit reporting due to loan accommodations related to the pandemic, and provided financial institutions the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings to account for the effects of COVID-19. The bank regulatory agencies likewise issued guidance encouraging financial institutions to work prudently with borrowers who were unable to meet their contractual payment obligations because of the effects of COVID-19. The guidance, with concurrence of the Financial Accounting Standards Board, and provisions of the CARES Act allowed modifications made on a good faith basis in response to COVID-19 to borrowers who were current with their payments prior to any relief, to not be treated as troubled debt restructurings nor be reported as past due. Modifications included payment deferrals (including maturity extensions), covenant waivers and fee waivers. The Company worked with its customers affected by COVID-19 and granted modifications across many of its loan portfolios. To the extent that such modifications met the criteria described, the modified loans were not classified as troubled debt restructurings nor reported as past due.

Commitments to sell real estate loans are utilized by the Company to hedge the exposure to changes in fair value of real estate loans held for sale. The carrying value of hedged real estate loans held for sale recorded in the consolidated balance sheet includes changes in estimated fair value during the hedge period, typically from the date of close through the sale date. Valuation adjustments made on these loans and commitments are included in "mortgage banking revenues."

Acquired loans and leases

Expected credit losses for purchased loans with credit deterioration are initially recognized as an allowance for credit losses and are added to the purchase price to determine the amortized cost basis of the loans. Any non-credit discount or premium resulting from acquiring such loans is recognized as an adjustment to interest income over the remaining lives of the loans. Subsequent changes in the amount of expected credit losses on such loans are recognized in the allowance for credit losses in the same manner as originated loans. For all other acquired loans, the difference between the fair value and outstanding principal balance of the loans is recognized as an adjustment to interest income over the lives of those loans. Those loans are then accounted for in a manner that is similar to originated loans.

***Allowance for credit losses***

On January 1, 2020, the Company adopted amended accounting guidance which requires an allowance for credit losses to be deducted from the amortized cost basis of financial assets to present the net carrying value at the amount that is expected to be collected over the contractual term of the asset considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. In estimating expected losses in the loan and lease portfolio, borrower-specific financial data and macro-economic assumptions are utilized to project losses over a reasonable and supportable forecast period. Assumptions and judgment are applied to measure amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers' abilities to repay obligations. Subsequent to the forecast period, the Company utilizes longer-term historical loss experience to estimate losses over the remaining contractual life of the loans.

***Assets taken in foreclosure of defaulted loans***

Assets taken in foreclosure of defaulted loans are primarily comprised of commercial and residential real property and are included in "other assets" in the consolidated balance sheet. An in-substance repossession or foreclosure occurs and a creditor is considered to have received physical possession of real estate property collateralizing a mortgage loan upon either (i) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Upon acquisition of assets taken in satisfaction of a defaulted loan, the excess of the remaining loan balance over the asset's estimated fair value less costs to sell is charged-off against the allowance for credit losses. Subsequent declines in value of the assets are recognized as "other costs of operations" in the consolidated statement of income.

***Premises and equipment***

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets.

***Capitalized servicing rights***

Capitalized servicing assets are included in "other assets" in the consolidated balance sheet. Separately recognized servicing assets are initially measured at fair value. The Company uses the amortization method to subsequently measure servicing assets. Under that method, capitalized servicing assets are charged to expense in proportion to and over the period of estimated net servicing income.

To estimate the fair value of servicing rights, the Company considers market prices for similar assets and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. Such assumptions include estimates of the cost of servicing loans, loan default rates, an appropriate discount rate, and prepayment speeds. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Company stratifies such assets based on the predominant risk characteristics of the underlying financial instruments that are expected to have the most impact on projected prepayments, cost of servicing and other factors affecting future cash flows associated with the servicing rights. Such factors may include financial asset or loan type, note rate and term. The amount of impairment recognized is the amount by which the carrying value of the capitalized servicing rights for a stratum exceeds estimated fair value. Impairment is recognized through a valuation allowance.

***Sales and securitizations of financial assets***

Transfers of financial assets for which the Company has surrendered control of the financial assets are accounted for as sales. Interests in a sale of financial assets that continue to be held by the Company, including servicing rights, are initially measured at fair value. The fair values of retained debt securities are generally determined through reference to independent pricing information. The fair values of retained servicing rights and any other retained interests are determined based on the present value of expected future cash flows associated with those interests and by reference to market prices for similar assets.

Securitization structures typically require the use of special-purpose trusts that are considered variable interest entities. A variable interest entity is included in the consolidated financial statements if the Company has the power to direct the activities that most significantly impact the variable interest entity's economic performance and has the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to that entity.

***Goodwill and core deposit and other intangible assets***

Goodwill represents the excess of the cost of an acquired entity over the fair value of the identifiable net assets acquired. Goodwill is not amortized, but rather is tested for impairment at least annually at the reporting unit level, which is either at the same level or one level below an operating segment. Other acquired intangible assets with finite lives, such as core deposit intangibles, are initially recorded at estimated fair value and are amortized over their estimated lives. Core deposit and other intangible assets are generally amortized using accelerated methods over estimated useful lives, which are generally three to seven years. The Company periodically assesses whether events or changes in circumstances indicate that the carrying amounts of core deposit and other intangible assets may be impaired.

***Derivative financial instruments***

The Company accounts for derivative financial instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (i) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) a hedge of the exposure to variable cash flows of a forecasted transaction or (iii) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign currency denominated forecasted transaction.

The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. For such agreements, amounts receivable or payable are recognized as accrued under the terms of the agreement and the net differential is recorded as an adjustment to interest income or expense of the related asset or liability. Interest rate swap agreements may be designated as either fair value hedges or cash flow hedges. In a fair value hedge, the fair values of the interest rate swap agreements and changes in the fair values of the hedged items are recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized in current earnings. The difference between changes in the fair values of interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in the same income statement line item that is used to present the earnings effect of the hedged item in the consolidated statement of income. In a cash flow hedge, the derivative's unrealized gain or loss is initially recorded as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings.

The Company utilizes commitments to sell real estate loans to hedge the exposure to changes in the fair value of real estate loans held for sale. Commitments to originate real estate loans to be held for sale and commitments to sell real estate loans are generally recorded in the consolidated balance sheet at estimated fair value. Valuation adjustments made on these commitments are included in "mortgage banking revenues."

Derivative instruments not related to mortgage banking activities, including financial futures commitments and interest rate swap agreements, that do not satisfy the hedge accounting requirements are recorded at fair value and are generally classified as other assets or other liabilities with resultant changes in fair value being recognized in "trading account and non-hedging derivative gains" in the consolidated statement of income.

***Revenue from contracts with customers***

A significant amount of the Company's revenues are derived from net interest income on financial assets and liabilities, mortgage banking revenues, trading account and non-hedging derivative gains, investment securities gains, loan and letter of credit fees, income from bank-owned life insurance, and certain other revenues that are generally excluded from the scope of accounting guidance for revenue from contracts with customers. For other noninterest income revenue streams, the Company generally recognizes the expected amount of consideration as revenue when the performance obligations related to the services under the terms of a contract are satisfied. The Company's contracts generally do not contain terms that necessitate significant judgment to determine the amount of revenue to recognize.

***Stock-based compensation***

Compensation expense is recognized over the vesting period of stock-based awards based on estimated grant date value, except that the recognition of compensation costs is accelerated for stock-based awards granted to retirement-eligible employees and employees who will become retirement-eligible prior to full vesting of the award because the Company's incentive compensation plan allows for vesting at the time an employee retires.

***Income taxes***

Deferred tax assets and liabilities are recognized for the future tax effects attributable to differences between the financial statement value of existing assets and liabilities and their respective tax bases and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

The Company evaluates uncertain tax positions using the two-step process required by GAAP. The first step requires a determination of whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Under the second step, a tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

The Company accounts for its investments in qualified affordable housing projects using the proportional amortization method. Under that method, the Company amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense.

***Earnings per common share***

Basic earnings per common share exclude dilution and are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding (exclusive of shares represented by the unvested portion of restricted stock and restricted stock unit grants) and common shares issuable under deferred compensation arrangements during the period. Diluted earnings per common share reflect shares represented by the unvested portion of restricted stock and restricted stock unit grants and the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in earnings. Proceeds assumed to have been received on such exercise or conversion are assumed to be used to purchase shares of M&T common stock at the average market price during the period, as required by the "treasury stock method" of accounting.

GAAP requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) shall be considered participating securities and shall be included in the computation of earnings per common share pursuant to the two-class method. The Company has issued stock-based compensation awards in the form of restricted stock and restricted stock units that contain such rights and, accordingly, the Company's earnings per common share are calculated using the two-class method.

***Treasury stock***

Repurchases of shares of M&T common stock are recorded at cost as a reduction of shareholders' equity. Reissuances of shares of treasury stock are recorded at average cost.

**2. Acquisition and divestitures**

*Acquisition*

On April 1, 2022, M&T completed the acquisition of People's United. Through subsidiaries, People's United provided commercial banking, retail banking and wealth management services to individual, corporate and municipal customers through a network of branches located in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine. Following the merger, People's United Bank, National Association, a national banking association and a wholly owned subsidiary of People's United, merged with and into Manufacturers and Traders Trust Company ("M&T Bank"), the principal banking subsidiary of M&T, with M&T Bank as the surviving entity. The results of operations acquired from People's United have been included in the Company's financial results since April 1, 2022.

Pursuant to the terms of the merger agreement dated February 22, 2021, People's United shareholders received consideration valued at .118 of an M&T common share in exchange for each common share of People's United. The purchase price totaled approximately $8.4 billion (with the price based on M&T's closing price of $164.66 per share as of April 1, 2022). M&T issued 50,325,004 common shares in completing the transaction. Additionally, People's United outstanding preferred stock was converted into new shares of Series H Preferred Stock of M&T. The acquisition of People's United expanded the Company's geographical footprint and management expects the Company will benefit from greater geographical diversity and the advantages of scale associated with a larger company.

The People's United transaction has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and preferred stock converted were recorded at estimated fair value on the acquisition date. The consideration paid for People's United common equity and the preliminary amounts of identifiable assets acquired, liabilities assumed and preferred stock converted as of the acquisition date follows.

| | | (In thousands) |
|---|---|---|
| Consideration: | | |
| Common stock issued (50,325,004 shares) | $ | 8,286,515 |
| Common stock awards converted | | 104,810 |
| Cash | | 1,824 |
| Total consideration | | 8,393,149 |
| | | |
| Net assets acquired: | | |
| Identifiable assets | | |
| Cash and due from banks | | 395,747 |
| Interest-bearing deposits at banks | | 9,193,346 |
| Investment securities | | 11,574,689 |
| Loans and leases | | 35,840,648 |
| Core deposit and other intangible assets | | 261,000 |
| Other assets | | 2,979,388 |
| Total identifiable assets acquired | | 60,244,818 |
| Liabilities and preferred stock | | |
| Deposits | | 52,967,915 |
| Borrowings | | 1,389,012 |
| Other liabilities | | 1,142,387 |
| Total liabilities assumed | | 55,499,314 |
| Preferred stock | | 260,600 |
| Total liabilities and preferred stock | | 55,759,914 |
| Net assets acquired | | 4,484,904 |
| Goodwill | $ | 3,908,245 |

The following is a description of the methodologies used to estimate the fair values of the significant assets acquired, liabilities assumed and preferred stock converted at the acquisition date:

*Cash and due from banks and interest-bearing deposits in banks:* Given the short-term nature of these assets, the carrying amount was determined to be a reasonable estimate of fair value.

*Investment securities:* Investment securities have been determined using quoted market prices, if available. If quoted market prices were not available, investment securities were valued by reference to quoted prices for similar securities or through model-based techniques.

*Loans and leases:* The fair values of loans and leases were generally based on a discounted cash flow methodology that considered market interest rates, expected credit losses, prepayment assumptions and other market factors for loans with similar characteristics including loan type, collateral, fixed or variable interest rate and credit risk characteristics. Expected credit losses were determined based on credit characteristics and other factors such as default and recovery rates of similar products.

*Core deposit and other intangible assets:* The core deposit intangible asset represents the value of certain customer deposit relationships. The fair value of the core deposit intangible asset was based on a discounted cash flow methodology that considered expected customer attrition rates, costs associated with maintaining the deposit relationships and alternative funding costs. Other intangible assets were also valued using expected and contractual cash flows.

*Deposits:* The fair value of deposits with no maturity date was determined to be the amount payable on demand at the acquisition date. The fair value of time deposits was determined by discounting contractual cash flows using market interest rates for instruments with like remaining maturities.

*Borrowings:* The fair value of borrowings was determined using quoted market prices for the instrument, if available. If quoted market prices for the instrument were not available, similar instruments with quoted market prices were referenced.

*Preferred stock:* The fair value of preferred stock converted was determined using quoted market prices.

GAAP requires loans and leases obtained through an acquisition that have experienced a more-than-insignificant deterioration in credit quality since origination be considered purchased credit deteriorated ("PCD"). The Company considered several factors in the determination of PCD loans, including loan grades assigned to acquired commercial loans and leases and commercial real estate loans utilizing the Company's loan grading system and delinquency status and history for acquired loans backed by residential real estate. For PCD loans and leases the initial estimate of expected credit losses of $99 million was established through an adjustment to increase both the initial carrying value and allowance for credit losses. GAAP also provides that an allowance for credit losses on loans acquired, but not classified as PCD, also be recognized above and beyond the impact of forecasted losses used in determining fair value. Accordingly, the Company recorded $242 million of provision for credit losses for non-PCD acquired loans and leases at the acquisition date. The following table reconciles the unpaid principal balance to the fair value of loans and leases at April 1, 2022:

| | PCD | Non-PCD |
|---|---|---|
| | (in thousands) | |
| Unpaid principal balance | $ 3,410,506 (a) | $ 32,896,454 |
| Allowance for credit losses at acquisition | (99,000) (a) | — |
| Other discount | (106,814) | (260,498) (b) |
| Fair value | $ 3,204,692 | $ 32,635,956 |

*(a) The unpaid principal balance and allowance for credit losses at acquisition is net of charge-offs of $33 million recognized on the PCD loans.*
*(b) Includes approximately $242 million of principal balances not expected to be collected.*

In connection with the acquisition, the Company recorded approximately $3.9 billion of goodwill, which represents the excess of the purchase price over the fair value of the net assets acquired, and $261 million of core deposit and other intangible assets. The core deposit and other intangible assets are being amortized over periods of three to seven years. Information regarding the allocation of goodwill recorded as a result of the acquisition to the Company's reportable segments, as well as the carrying amounts and amortization of core deposit and other intangible assets, is provided in note 8.

Due to the integration of People's United operating systems and activities with those of the Company, the Company's ability to report on the former operations of People's United is inherently limited. The Company estimates that included in the Consolidated Statement of Income from the acquisition date through December 31, 2022 are total revenues of approximately $1.6 billion and net income of approximately $165 million related to the acquisition of People's United.

The following table presents certain pro forma information as if People's United had been acquired on January 1, 2021. These results combine the historical results of People's United into the Company's consolidated statement of income and, while adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place as indicated. For example, merger-related expenses noted below are included in the periods where such expenses were incurred. Additionally, the Company expects to achieve operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts that follow:

| | Pro forma (Unaudited) | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Total revenues (a) | $ 8,631,283 | $ 8,075,955 |
| Net income | 2,158,047 | 2,391,034 |

*(a) Represents the total of net interest income and other income.*

In connection with the People's United acquisition, the Company incurred merger-related expenses related to systems conversions and other costs of integrating and conforming acquired operations with and into the Company. Those expenses consisted largely of professional services, temporary help fees and other costs associated with actual or planned systems conversions and/or integration of operations and the introduction of the Company to its new customers; costs related to termination of existing contractual arrangements for various services; initial marketing and promotion expenses designed to introduce M&T Bank to its new customers; severance (for former People's United employees); travel costs; legal expenses; printing costs associated with communications with shareholders and customers; and other costs of completing the transaction and commencing operations in new markets and offices. The Company does not expect to incur any material People's United merger-related expenses during 2023. A summary of merger-related expenses included in the consolidated statement of income follows.

| | 2022 | 2021 |
|---|---|---|
| | (In thousands) | |
| Salaries and employee benefits | $ 102,150 | $ 176 |
| Equipment and net occupancy | 6,709 | 341 |
| Outside data processing software | 5,438 | 1,119 |
| Advertising and marketing | 9,262 | 866 |
| Printing, postage and supplies | 6,786 | 2,965 |
| Other cost of operations | 207,976 | 38,393 |
| Other expense | $ 338,321 | $ 43,860 |

The Company also recognized a $242 million provision for credit losses on acquired loans that were not deemed to be PCD on April 1, 2022. GAAP requires that acquired loans be recorded at estimated fair value, which includes the use of interest rate and expected credit loss assumptions to forecast estimated cash flows. GAAP also provides that an allowance for credit losses on loans acquired, but not classified as PCD also be recognized above and beyond the impact of forecasted losses used in determining the fair value of acquired loans. Accordingly, the Company recorded a $242 million provision for credit losses related to such loans obtained in the People's United transaction.

*Divestitures*

On September 29, 2022 M&T Bank announced it had entered into a definitive agreement to sell M&T Insurance Agency, Inc. ("MTIA"), a wholly owned insurance agency subsidiary of M&T Bank to Arthur J. Gallagher & Co. The transaction was completed on October 31, 2022. The Company recognized a pre-tax gain on the sale of $136 million ($98 million after-tax). MTIA had assets of $18 million and shareholders' equity of $6 million at the time of the divestiture. Prior to the sale, MTIA recorded revenues of $34 million in 2022 and $37 million in each of 2021 and 2020. After considering expenses, the results of operations from MTIA were not material to the Company's consolidated results of operations in any of 2022, 2021 and 2020.

On December 19, 2022 Wilmington Trust, National Association, a wholly owned subsidiary of M&T, announced that it had entered into a definitive agreement to sell its Collective Investment Trust ("CIT") business to a private equity firm. That sale is expected to close in the first half of 2023 and result in recognition of a gain at that time. The Company estimated that the CIT business contributed approximately $165 million, $151 million and $105 million to trust income in 2022, 2021 and 2020, respectively. After considering expenses, the results of operations from the CIT business were not material to the Company's consolidated results of operations in any of 2022, 2021 and 2020.

## 3. Investment securities

The amortized cost and estimated fair value of investment securities were as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | | (In thousands) | | |
| December 31, 2022 | | | | |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | $ 7,913,932 | $ 200 | $ 243,172 | $ 7,670,960 |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Commercial | 594,779 | — | 20,480 | 574,299 |
| Residential | 2,501,334 | 65 | 171,281 | 2,330,118 |
| Other debt securities | 183,107 | 250 | 9,773 | 173,584 |
| | 11,193,152 | 515 | 444,706 | 10,748,961 |
| Investment securities held to maturity: | | | | |
| U.S. Treasury and federal agencies | 1,054,035 | — | 45,747 | 1,008,288 |
| Obligations of states and political subdivisions | 2,577,078 | 4 | 116,512 | 2,460,570 |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Commercial | 912,431 | — | 103,528 | 808,903 |
| Residential | 8,934,918 | 1,451 | 891,063 | 8,045,306 |
| Privately issued | 49,742 | 8,833 | 7,987 | 50,588 |
| Other debt securities | 1,765 | — | — | 1,765 |
| | 13,529,969 | 10,288 | 1,164,837 | 12,375,420 |
| Total debt securities | $ 24,723,121 | $ 10,803 | $ 1,609,543 | $ 23,124,381 |
| Equity and other securities: | | | | |
| Readily marketable equity — at fair value | $ 153,283 | $ 2,120 | $ 3,945 | $ 151,458 |
| Other — at cost | 780,483 | — | — | 780,483 |
| Total equity and other securities | $ 933,766 | $ 2,120 | $ 3,945 | $ 931,941 |
| December 31, 2021 | | | | |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | $ 682,267 | $ 229 | $ 3,806 | $ 678,690 |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Residential | 3,042,771 | 113,102 | 561 | 3,155,312 |
| Other debt securities | 124,309 | 1,974 | 4,481 | 121,802 |
| | 3,849,347 | 115,305 | 8,848 | 3,955,804 |
| Investment securities held to maturity: | | | | |
| U.S. Treasury and federal agencies | 3,052 | — | 9 | 3,043 |
| Obligations of states and political subdivisions | 177 | 2 | — | 179 |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Residential | 2,667,328 | 49,221 | 8,376 | 2,708,173 |
| Privately issued | 61,555 | 10,520 | 14,742 | 57,333 |
| Other debt securities | 2,562 | — | — | 2,562 |
| | 2,734,674 | 59,743 | 23,127 | 2,771,290 |
| Total debt securities | $ 6,584,021 | $ 175,048 | $ 31,975 | $ 6,727,094 |
| Equity and other securities: | | | | |
| Readily marketable equity — at fair value | $ 73,774 | $ 4,460 | $ 594 | $ 77,640 |
| Other — at cost | 387,742 | — | — | 387,742 |
| Total equity and other securities | $ 461,516 | $ 4,460 | $ 594 | $ 465,382 |

No investment in securities of a single non-U.S. Government, government agency or government guaranteed issuer exceeded ten percent of shareholders' equity at December 31, 2022.

As of December 31, 2022, the latest available investment ratings of all obligations of states and political subdivisions, privately issued mortgage-backed securities and other debt securities were:

| | | | Average Credit Rating of Fair Value Amount | | | | |
|---|---|---|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | A or Better | BBB | BB | B or Less | Not Rated |
| | | | (In thousands) | | | | |
| Obligations of states and political subdivisions | $ 2,577,078 | $ 2,460,570 | $ 2,450,795 | $ — | $ — | $ — | $ 9,775 |
| Privately issued mortgage-backed securities | 49,742 | 50,588 | — | — | — | 379 | 50,209 |
| Other debt securities | 184,872 | 175,349 | 15,044 | 63,361 | 35,741 | — | 61,203 |

The amortized cost and estimated fair value of collateralized mortgage obligations included in mortgage-backed securities were as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Collateralized mortgage obligations: | | |
| Amortized cost | $ 372,373 | $ 61,980 |
| Estimated fair value | 327,981 | 57,763 |

There were no significant gross realized gains or losses from sales of investment securities in 2022, 2021 or 2020.

At December 31, 2022, the amortized cost and estimated fair value of debt securities by contractual maturity were as follows:

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| | (In thousands) | |
| Debt securities available for sale: | | |
| Due in one year or less | $ 131,291 | $ 126,611 |
| Due after one year through five years | 7,870,319 | 7,628,579 |
| Due after five years through ten years | 65,429 | 61,938 |
| Due after ten years | 30,000 | 27,416 |
| | 8,097,039 | 7,844,544 |
| Mortgage-backed securities available for sale | 3,096,113 | 2,904,417 |
| | $ 11,193,152 | $ 10,748,961 |
| Debt securities held to maturity: | | |
| Due in one year or less | $ 137,854 | $ 136,564 |
| Due after one year through five years | 1,057,311 | 1,011,114 |
| Due after five years through ten years | 1,092,875 | 1,068,369 |
| Due after ten years | 1,344,838 | 1,254,576 |
| | 3,632,878 | 3,470,623 |
| Mortgage-backed securities held to maturity | 9,897,091 | 8,904,797 |
| | $ 13,529,969 | $ 12,375,420 |

A summary of investment securities that as of December 31, 2022 and 2021 had been in a continuous unrealized loss position for less than twelve months and those that had been in a continuous unrealized loss position for twelve months or longer follows:

| | Less Than 12 Months | | 12 Months or More | |
|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In thousands) | | | |
| December 31, 2022 | | | | |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | $ 6,706,413 | $ 183,760 | $ 841,945 | $ 59,412 |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Commercial | 574,299 | 20,480 | — | — |
| Residential | 2,295,873 | 169,489 | 28,305 | 1,792 |
| Other debt securities | 93,458 | 3,604 | 73,280 | 6,169 |
| | 9,670,043 | 377,333 | 943,530 | 67,373 |
| Investment securities held to maturity: | | | | |
| U.S. Treasury and federal agencies | 1,008,288 | 45,747 | — | — |
| Obligations of states and political subdivisions | 2,449,420 | 116,512 | — | — |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Commercial | 808,903 | 103,528 | — | — |
| Residential | 6,292,462 | 619,403 | 1,319,300 | 271,660 |
| Privately issued | — | — | 35,661 | 7,987 |
| | 10,559,073 | 885,190 | 1,354,961 | 279,647 |
| Total | $ 20,229,116 | $ 1,262,523 | $ 2,298,491 | $ 347,020 |
| December 31, 2021 | | | | |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | $ 598,566 | $ 3,806 | $ — | $ — |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Residential | 10,111 | 54 | 20,824 | 507 |
| Other debt securities | 3,760 | 74 | 66,419 | 4,407 |
| | 612,437 | 3,934 | 87,243 | 4,914 |
| Investment securities held to maturity: | | | | |
| U.S. Treasury and federal agencies | 3,043 | 9 | — | — |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed: | | | | |
| Residential | 1,372,236 | 8,356 | 1,251 | 20 |
| Privately issued | — | — | 43,692 | 14,742 |
| | 1,375,279 | 8,365 | 44,943 | 14,762 |
| Total | $ 1,987,716 | $ 12,299 | $ 132,186 | $ 19,676 |

The Company owned 4,273 individual debt securities with aggregate gross unrealized losses of $1.6 billion at December 31, 2022. Based on a review of each of the securities in the investment securities portfolio at December 31, 2022, the Company concluded that it expected to recover the amortized cost basis of its investment. As of December 31, 2022, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its impaired investment securities at a loss. At December 31, 2022, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the $780 million of cost method investment securities.

The Company estimated no material allowance for credit losses for its investment securities classified as held-to-maturity at December 31, 2022 or December 31, 2021.

At December 31, 2022 and 2021, investment securities with carrying values of $7.9 billion (including $567 million related to repurchase transactions) and $5.1 billion (including $96 million related to repurchase transactions), respectively, were pledged to secure borrowings, lines of credit and governmental deposits as described in note 9.

## 4. Loans and leases

Total loans and leases outstanding were comprised of the following:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| | **(In thousands)** | |
| Loans | | |
| Commercial, financial, etc. | $ 39,695,189 | $ 22,524,542 |
| Commercial real estate | 45,444,010 | 35,473,884 |
| Residential real estate | 23,773,842 | 16,077,275 |
| Consumer | 20,579,263 | 17,964,331 |
| Total loans | 129,492,304 | 92,040,032 |
| Leases | | |
| Commercial | 2,581,852 | 1,096,646 |
| Total loans and leases | 132,074,156 | 93,136,678 |
| Less: unearned discount | (509,993) | (224,226) |
| Total loans and leases, net of unearned discount | $ 131,564,163 | $ 92,912,452 |

One-to-four family residential mortgage loans held for sale were $32 million at December 31, 2022 and $474 million at December 31, 2021. Commercial real estate loans held for sale were $131 million at December 31, 2022 and $425 million at December 31, 2021.

The amount of foreclosed property held by the Company, predominantly consisting of residential real estate, was $41 million and $24 million at December 31, 2022 and 2021, respectively. There were $201 million and $151 million at December 31, 2022 and 2021, respectively, in loans secured by residential real estate that were in the process of foreclosure. Of all loans in the process of foreclosure at December 31, 2022, approximately 42% were government guaranteed.

Borrowings by directors and certain officers of M&T and its banking subsidiaries, and by associates of such persons, exclusive of loans aggregating less than $60,000, amounted to $102 million and $113 million at December 31, 2022 and 2021, respectively. During 2022, new borrowings by such persons amounted to $7 million (including any borrowings of new directors or officers that were outstanding at the time of their election) and repayments and other reductions (including reductions resulting from individuals ceasing to be directors or officers) were $18 million.

At December 31, 2022, approximately $10.5 billion of commercial loans and leases, $16.3 billion of commercial real estate loans, $19.5 billion of one-to-four family residential real estate loans, $2.4 billion of home equity loans and lines of credit and $10.7 billion of other consumer loans were pledged to secure outstanding borrowings and available lines of credit from the FHLB and the Federal Reserve Bank of New York as described in note 9.

A summary of current, past due and nonaccrual loans as of December 31, 2022 and 2021 follows:

| | Current | 30-89 Days Past Due | Accruing Loans Past Due 90 Days or More | Nonaccrual | Total |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| December 31, 2022 | | | | | |
| Commercial, financial, leasing, etc. | $ 40,982,398 | $ 448,462 | $ 72,502 | $ 347,204 | $ 41,850,566 |
| Real estate: | | | | | |
| Commercial | 34,972,627 | 311,188 | 67,696 | 1,396,662 | 36,748,173 |
| Residential builder and developer | 1,304,798 | 8,703 | — | 1,229 | 1,314,730 |
| Other commercial construction | 6,936,661 | 239,521 | 549 | 124,937 | 7,301,668 |
| Residential | 21,491,506 | 595,897 | 345,402 | 272,090 | 22,704,895 |
| Residential — limited documentation | 950,782 | 22,456 | — | 77,814 | 1,051,052 |
| Consumer: | | | | | |
| Home equity lines and loans | 4,891,311 | 30,787 | — | 84,788 | 5,006,886 |
| Recreational finance | 8,974,171 | 54,593 | — | 44,630 | 9,073,394 |
| Automobile | 4,393,206 | 44,486 | — | 39,584 | 4,477,276 |
| Other | 1,958,196 | 22,961 | 4,869 | 49,497 | 2,035,523 |
| Total | $ 126,855,656 | $ 1,779,054 | $ 491,018 | $ 2,438,435 | $ 131,564,163 |
| December 31, 2021 | | | | | |
| Commercial, financial, leasing, etc. | $ 23,101,810 | $ 142,208 | $ 8,284 | $ 221,022 | $ 23,473,324 |
| Real estate: | | | | | |
| Commercial | 24,712,643 | 319,099 | 31,733 | 1,069,280 | 26,132,755 |
| Residential builder and developer | 1,400,437 | 2,904 | — | 3,005 | 1,406,346 |
| Other commercial construction | 7,722,049 | 17,175 | — | 111,405 | 7,850,629 |
| Residential | 13,294,872 | 239,561 | 920,080 | 355,858 | 14,810,371 |
| Residential — limited documentation | 1,124,520 | 16,666 | — | 122,888 | 1,264,074 |
| Consumer: | | | | | |
| Home equity lines and loans | 3,476,617 | 15,486 | — | 70,488 | 3,562,591 |
| Recreational finance | 7,985,173 | 40,544 | — | 27,811 | 8,053,528 |
| Automobile | 4,604,772 | 40,064 | — | 34,037 | 4,678,873 |
| Other | 1,620,147 | 12,223 | 3,302 | 44,289 | 1,679,961 |
| Total | $ 89,043,040 | $ 845,930 | $ 963,399 | $ 2,060,083 | $ 92,912,452 |

At December 31, 2022 and 2021, the Company had $19 million and $1.2 billion, respectively, of outstanding loan balances, consisting predominantly of residential real estate loans, for which COVID-19 related payment deferrals were granted. Those loans meet the criteria described in note 1 and, as such, are not considered past due or otherwise in default of loan terms as of the dates presented. Included in those loan balances were $8 million and $974 million of government-guaranteed loans at December 31, 2022 and 2021, respectively.

During the normal course of business, the Company modifies loans to maximize recovery efforts. If the borrower is experiencing financial difficulty and a concession is granted, the Company considers such modifications as troubled debt restructurings and classifies those loans as either nonaccrual loans or renegotiated loans. The types of concessions that the Company grants typically include principal deferrals and interest rate concessions, but may also include other types of concessions.

The tables that follow summarize the Company's loan modification activities that were considered troubled debt restructurings for the years ended December 31, 2022, 2021 and 2020:

| | | | Post-modification (a) | | | | |
|---|---|---|---|---|---|---|---|
| **Year Ended December 31, 2022** | **Number** | **Pre-modification Recorded Investment** | **Principal Deferral** | **Interest Rate Reduction** | **Other** | **Combination of Concession Types** | **Total** |
| | | (Dollars in thousands) | | | | | |
| Commercial, financial, leasing, etc. | 193 | $ 87,873 | $ 53,219 | $ 455 | $ 983 | $ 34,791 | 89,448 |
| Real estate: | | | | | | | |
| Commercial | 50 | 34,972 | 14,037 | — | 2,223 | 18,358 | 34,618 |
| Residential builder and developer | 1 | 60 | 57 | — | — | — | 57 |
| Other commercial construction | 1 | 100 | — | — | — | 100 | 100 |
| Residential | 274 | 71,165 | 54,519 | — | — | 19,022 | 73,541 |
| Residential — limited documentation | 8 | 1,398 | 1,216 | — | — | 193 | 1,409 |
| Consumer: | | | | | | | |
| Home equity lines and loans | 144 | 10,146 | 9,372 | — | — | 841 | 10,213 |
| Recreational finance | 729 | 27,517 | 27,510 | — | — | — | 27,510 |
| Automobile | 2,092 | 41,540 | 41,510 | — | — | — | 41,510 |
| Other | 149 | 1,426 | 1,426 | — | — | — | 1,426 |
| Total | 3,641 | $ 276,197 | $ 202,866 | $ 455 | $ 3,206 | $ 73,305 | $ 279,832 |
| **Year Ended December 31, 2021** | | | | | | | |
| Commercial, financial, leasing, etc. | 284 | $ 185,458 | $ 46,806 | $ — | $ 40,558 | $ 95,516 | $ 182,880 |
| Real estate: | | | | | | | |
| Commercial | 99 | 202,878 | 67,387 | — | 31,202 | 102,248 | 200,837 |
| Residential builder and developer | 1 | 3 | 3 | — | — | — | 3 |
| Other commercial construction | 3 | 542 | 532 | — | — | — | 532 |
| Residential | 373 | 108,325 | 95,769 | — | — | 12,866 | 108,635 |
| Residential — limited documentation | 21 | 2,920 | 2,865 | — | — | — | 2,865 |
| Consumer: | | | | | | | |
| Home equity lines and loans | 89 | 6,430 | 6,054 | — | — | 321 | 6,375 |
| Recreational finance | 281 | 9,931 | 9,931 | — | — | — | 9,931 |
| Automobile | 807 | 14,668 | 14,654 | — | — | 14 | 14,668 |
| Other | 362 | 2,597 | 2,597 | — | — | — | 2,597 |
| Total | 2,320 | $ 533,752 | $ 246,598 | $ — | $ 71,760 | $ 210,965 | $ 529,323 |
| **Year Ended December 31, 2020** | | | | | | | |
| Commercial, financial, leasing, etc. | 394 | $ 246,479 | $ 70,671 | $ 298 | $ 31,605 | $ 97,344 | $ 199,918 |
| Real estate: | | | | | | | |
| Commercial | 161 | 310,578 | 204,591 | 505 | 4,874 | 85,261 | 295,231 |
| Residential builder and developer | 1 | 91 | — | — | — | 90 | 90 |
| Other commercial construction | 2 | 13,602 | 13,573 | — | — | — | 13,573 |
| Residential | 631 | 202,985 | 183,878 | — | — | 23,639 | 207,517 |
| Residential — limited documentation | 30 | 7,413 | 7,100 | — | — | 1,232 | 8,332 |
| Consumer: | | | | | | | |
| Home equity lines and loans | 259 | 17,228 | 5,882 | — | — | 11,372 | 17,254 |
| Recreational finance | 428 | 16,392 | 16,388 | — | — | 4 | 16,392 |
| Automobile | 2,249 | 39,951 | 39,949 | — | — | 2 | 39,951 |
| Other | 1,095 | 7,788 | 3,383 | — | — | 4,405 | 7,788 |
| Total | 5,250 | $ 862,507 | $ 545,415 | $ 803 | $ 36,479 | $ 223,349 | $ 806,046 |

(a) *Financial effects impacting the recorded investment included principal payments or advances, charge-offs and capitalized escrow arrearages. The present value of interest rate concessions, discounted at the effective rate of the original loan, was not material.*

Loans that were modified as troubled debt restructurings during the years ended December 31, 2022, 2021 and 2020 and for which there was a subsequent payment default during the respective year were not material.

The Company's loan and lease portfolio includes commercial lease financing receivables consisting of direct financing and leveraged leases for machinery and equipment, railroad equipment, commercial trucks and trailers, and aircraft. Certain leases contain payment schedules that are tied to variable interest rate indices. In general, early termination options are provided if the lessee is not in default, returns the leased equipment and pays an early termination fee. Additionally, options to purchase the underlying asset by the lessee are generally at the fair market value of the equipment. A summary of lease financing receivables follows:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Commercial leases: | | |
| Direct financings: | | |
| Lease payments receivable | $ 2,174,730 | $ 873,089 |
| Estimated residual value of leased assets | 262,354 | 75,140 |
| Unearned income | (144,916) | (68,456) |
| Investment in direct financings | 2,292,168 | 879,773 |
| Leveraged leases: | | |
| Lease payments receivable | 71,371 | 75,003 |
| Estimated residual value of leased assets | 73,397 | 73,414 |
| Unearned income | (21,689) | (25,374) |
| Investment in leveraged leases | 123,079 | 123,043 |
| Total investment in leases | $ 2,415,247 | $ 1,002,816 |
| Deferred taxes payable arising from leveraged leases | $ 51,974 | $ 56,759 |

Included within the estimated residual value of leased assets at December 31, 2022 and 2021 were $93 million and $29 million, respectively, in residual value associated with direct financing leases that are guaranteed by the lessees or others.

At December 31, 2022, the minimum future lease payments to be received from lease financings were as follows:

| | (In thousands) |
|---|---|
| Year ending December 31: | |
| 2023 | $ 756,544 |
| 2024 | 621,629 |
| 2025 | 410,540 |
| 2026 | 255,292 |
| 2027 | 129,624 |
| Later years | 72,472 |
| | $ 2,246,101 |

## 5. Allowance for credit losses

Effective January 1, 2020 the Company adopted amended accounting guidance which requires an allowance for credit losses be deducted from the amortized cost basis of financial assets to present the net carrying value at the amount that is expected to be collected over the contractual term of the asset considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new guidance replaced the previous incurred loss model for determining the allowance for credit losses.

Changes in the allowance for credit losses for the years ended December 31, 2022, 2021 and 2020 were as follows:

| | Commercial, Financial, Leasing, etc. | Real Estate Commercial | Real Estate Residential | Consumer | Unallocated | Total |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| **2022** | | | | | | |
| Beginning balance | $ 283,899 | $ 557,239 | $ 71,726 | $ 556,362 | $ — | 1,469,226 |
| Allowance on acquired PCD loans | 41,003 | 55,812 | 1,833 | 352 | — | 99,000 |
| Provision for credit losses (a) | 235,702 | 100,445 | 43,574 | 137,279 | — | 517,000 |
| Net charge-offs | | | | | | |
| Charge-offs (b) | (117,223) | (61,641) | (11,783) | (112,310) | — | (302,957) |
| Recoveries | 58,772 | 24,829 | 9,742 | 49,719 | — | 143,062 |
| Net charge-offs | (58,451) | (36,812) | (2,041) | (62,591) | — | (159,895) |
| Ending balance | $ 502,153 | $ 676,684 | $ 115,092 | $ 631,402 | $ — | $ 1,925,331 |
| **2021** | | | | | | |
| Beginning balance | $ 405,846 | $ 670,719 | $ 103,590 | $ 556,232 | $ — | $ 1,736,387 |
| Provision for credit losses | (40,378) | (42,825) | (29,817) | 38,020 | — | (75,000) |
| Net charge-offs | | | | | | |
| Charge-offs | (122,651) | (101,306) | (10,904) | (103,293) | — | (338,154) |
| Recoveries | 41,082 | 30,651 | 8,857 | 65,403 | — | 145,993 |
| Net charge-offs | (81,569) | (70,655) | (2,047) | (37,890) | — | (192,161) |
| Ending balance | $ 283,899 | $ 557,239 | $ 71,726 | $ 556,362 | $ — | $ 1,469,226 |
| **2020** | | | | | | |
| Beginning balance | $ 366,094 | $ 322,201 | $ 56,033 | $ 229,118 | $ 77,625 | $ 1,051,071 |
| Adoption of new accounting standard | (61,474) | 23,656 | 53,896 | 194,004 | (77,625) | 132,457 |
| Provision for credit losses | 220,544 | 356,203 | (3,172) | 226,425 | — | 800,000 |
| Net charge-offs | | | | | | |
| Charge-offs | (135,083) | (35,891) | (10,283) | (152,250) | — | (333,507) |
| Recoveries | 15,765 | 4,550 | 7,116 | 58,935 | — | 86,366 |
| Net charge-offs | (119,318) | (31,341) | (3,167) | (93,315) | — | (247,141) |
| Ending balance | $ 405,846 | $ 670,719 | $ 103,590 | $ 556,232 | $ — | $ 1,736,387 |

(a) *Includes $242 million related to non-PCD acquired loans recorded on April 1, 2022.*

(b) *For the year ended December 31, 2022, net charge-offs do not reflect $33 million of charge-offs related to PCD loans acquired on April 1, 2022.*

Despite the allocation in the preceding tables, the allowance for credit losses is general in nature and is available to absorb losses from any loan or lease type. In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company utilizes statistically developed models to project principal balances over the remaining contractual lives of the loan portfolios and to determine estimated credit losses through a reasonable and supportable forecast period. Individual loan credit quality indicators, including loan grade and borrower repayment performance, can inform the models, which have been statistically developed based on historical correlations of credit losses with prevailing economic metrics, including unemployment, gross domestic product and real estate prices. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. At each of December 31, 2022, 2021 and 2020, the Company utilized a reasonable and supportable forecast period of two years. Subsequent to this forecast period the Company reverted, ratably over a one-year period, to historical loss experience to inform its estimate of losses for the remaining contractual life of each portfolio. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, product expansions into new markets, imprecision in its economic forecasts, geopolitical conditions and other risk factors that might influence its loss estimation process.

The Company also estimates losses attributable to specific troubled credits identified through both normal and targeted credit review processes. The amounts of specific loss components in the Company's loan and lease portfolios are determined through a loan-by-loan analysis of larger balance commercial loans and commercial real estate loans that are in nonaccrual status. Such loss estimates are typically based on expected future cash flows, collateral values and other factors that may impact the borrower's ability to pay. To the extent that those loans are collateral-dependent, they are evaluated based on the fair value of the loan's collateral as estimated at or near the financial statement date. As the quality of a loan deteriorates to the point of classifying the loan as "criticized," the process of obtaining updated collateral valuation information is usually initiated, unless it is not considered warranted given factors such as the relative size of the loan, the characteristics of the collateral or the age of the last valuation. In those cases where current appraisals may not yet be available, prior appraisals are utilized with adjustments, as deemed necessary, for estimates of subsequent declines in values as determined by line of business and/or loan workout personnel. Those adjustments are reviewed and assessed for reasonableness by the Company's credit risk personnel. Accordingly, for real estate collateral securing larger nonaccrual commercial loans and commercial real estate loans, estimated collateral values are based on current appraisals and estimates of value. For non-real estate loans, collateral is assigned a discounted estimated liquidation value and, depending on the nature of the collateral, is verified through field exams or other procedures. In assessing collateral, real estate and non-real estate values are reduced by an estimate of selling costs.

For residential real estate loans, including home equity loans and lines of credit, the excess of the loan balance over the net realizable value of the property collateralizing the loan is charged-off when the loan becomes 150 days delinquent. That charge-off is based on recent indications of value from external parties that are generally obtained shortly after a loan becomes nonaccrual. Loans to consumers that file for bankruptcy are generally charged-off to estimated net collateral value shortly after the Company is notified of such filings. When evaluating individual home equity loans and lines of credit for charge off and for purposes of estimating losses in determining the allowance for credit losses, the Company gives consideration to the required repayment of any first lien positions related to collateral property. Modified loans, including smaller balance homogenous loans, that are considered to be troubled debt restructurings are evaluated for impairment giving consideration to the impact of the modified loan terms on the present value of the loan's expected cash flows.

Information with respect to loans and leases that were considered nonaccrual at the beginning and end of the reporting period and the interest income recognized on such loans for the years ended December 31, 2022, 2021 and 2020 follows.

| | Amortized Cost with Allowance | Amortized Cost without Allowance | Total | Amortized Cost | Interest Income Recognized |
|---|---|---|---|---|---|
| | December 31, 2022 | | | January 1, 2022 | Year Ended December 31, 2022 |
| | | | (In thousands) | | |
| Commercial, financial, leasing, etc. | $ 173,350 | $ 173,854 | $ 347,204 | $ 221,022 | $ 22,336 |
| Real estate: | | | | | |
| Commercial | 404,661 | 992,001 | 1,396,662 | 1,069,280 | 18,117 |
| Residential builder and developer | 1,229 | — | 1,229 | 3,005 | 2,195 |
| Other commercial construction | 58,834 | 66,103 | 124,937 | 111,405 | 3,411 |
| Residential | 147,461 | 124,629 | 272,090 | 355,858 | 25,146 |
| Residential — limited documentation | 47,711 | 30,103 | 77,814 | 122,888 | 557 |
| Consumer: | | | | | |
| Home equity lines and loans | 42,699 | 42,089 | 84,788 | 70,488 | 4,333 |
| Recreational finance | 36,256 | 8,374 | 44,630 | 27,811 | 657 |
| Automobile | 35,139 | 4,445 | 39,584 | 34,037 | 144 |
| Other | 49,389 | 108 | 49,497 | 44,289 | 354 |
| Total | $ 996,729 | $1,441,706 | $ 2,438,435 | $2,060,083 | $ 77,250 |
| | December 31, 2021 | | | January 1, 2021 | Year Ended December 31, 2021 |
| Commercial, financial, leasing, etc. | $ 110,790 | $ 110,232 | $ 221,022 | $ 306,827 | $ 11,865 |
| Real estate: | | | | | |
| Commercial | 242,078 | 827,202 | 1,069,280 | 775,894 | 15,872 |
| Residential builder and developer | 613 | 2,392 | 3,005 | 1,094 | 973 |
| Other commercial construction | 30,229 | 81,176 | 111,405 | 114,039 | 596 |
| Residential | 198,560 | 157,298 | 355,858 | 365,729 | 23,772 |
| Residential — limited documentation | 79,777 | 43,111 | 122,888 | 147,170 | 528 |
| Consumer: | | | | | |
| Home equity lines and loans | 32,269 | 38,219 | 70,488 | 79,392 | 3,780 |
| Recreational finance | 21,476 | 6,335 | 27,811 | 25,519 | 637 |
| Automobile | 29,314 | 4,723 | 34,037 | 39,404 | 186 |
| Other | 44,122 | 167 | 44,289 | 38,231 | 531 |
| Total | $ 789,228 | $1,270,855 | $ 2,060,083 | $1,893,299 | $ 58,740 |
| | December 31, 2020 | | | January 1, 2020 | Year Ended December 31, 2020 |
| Commercial, financial, leasing, etc. | $ 226,897 | $ 79,930 | $ 306,827 | $ 346,743 | $ 11,269 |
| Real estate: | | | | | |
| Commercial | 364,110 | 411,784 | 775,894 | 173,796 | 7,821 |
| Residential builder and developer | 1,094 | — | 1,094 | 4,708 | 1,694 |
| Other commercial construction | 20,992 | 93,047 | 114,039 | 35,881 | 8,457 |
| Residential | 159,006 | 206,723 | 365,729 | 322,504 | 18,069 |
| Residential — limited documentation | 84,568 | 62,602 | 147,170 | 114,667 | 634 |
| Consumer: | | | | | |
| Home equity lines and loans | 61,031 | 18,361 | 79,392 | 65,039 | 4,092 |
| Recreational finance | 19,434 | 6,085 | 25,519 | 14,308 | 626 |
| Automobile | 34,044 | 5,360 | 39,404 | 21,293 | 186 |
| Other | 3,606 | 34,625 | 38,231 | 35,394 | 1,369 |
| Total | $ 974,782 | $ 918,517 | $ 1,893,299 | $1,134,333 | $ 54,217 |

The Company utilizes a loan grading system to differentiate risk amongst its commercial loans and commercial real estate loans. Loans with a lower expectation of default are assigned one of ten possible "pass" loan grades and are generally ascribed lower loss factors when determining the allowance for credit losses. Loans with an elevated level of credit risk are classified as "criticized" and are ascribed a higher loss factor when determining the allowance for credit losses. Criticized loans may be classified as "nonaccrual" if the Company no longer expects to collect all amounts according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more.

Line of business personnel in different geographic locations with support from and review by the Company's credit risk personnel review and reassign loan grades based on their detailed knowledge of individual borrowers and their judgment of the impact on such borrowers resulting from changing conditions in their respective regions. Factors considered in assigning loan grades include borrower-specific information related to expected future cash flows and operating results, collateral values, geographic location, financial condition and performance, payment status, and other information. The Company's policy is that, at least annually, updated financial information be obtained from commercial borrowers associated with pass grade loans and additional analysis performed. On a quarterly basis, the Company's centralized credit risk department reviews all criticized commercial loans and commercial real estate loans greater than $1 million to determine the appropriateness of the assigned loan grade, including whether the loan should be reported as accruing or nonaccruing.

The following table summarizes the loan grades applied at December 31, 2022 to the various classes of the Company's commercial loans and commercial real estate loans by origination year.

| | Term Loans by Origination Year | | | | | | Revolving Loans | Revolving Loans Converted to Term Loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | | | |
| | | | | | (In thousands) | | | | |
| Commercial, financial, leasing, etc.: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 8,575,130 | 4,952,758 | 2,024,603 | 1,796,047 | 817,569 | 1,970,947 | 19,444,247 | 40,471 | $ 39,621,772 |
| Criticized accrual | 247,626 | 222,861 | 190,368 | 116,881 | 71,485 | 246,846 | 768,497 | 17,026 | 1,881,590 |
| Criticized nonaccrual | 18,379 | 52,067 | 37,608 | 36,241 | 35,689 | 59,146 | 100,972 | 7,102 | 347,204 |
| Total commercial, financial, leasing, etc. | $ 8,841,135 | 5,227,686 | 2,252,579 | 1,949,169 | 924,743 | 2,276,939 | 20,313,716 | 64,599 | $ 41,850,566 |
| Real estate: | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 4,136,890 | 3,379,900 | 3,388,590 | 4,557,065 | 3,293,380 | 10,905,956 | 869,981 | — | $ 30,531,762 |
| Criticized accrual | 324,652 | 463,484 | 467,557 | 688,239 | 937,421 | 1,890,297 | 48,099 | — | 4,819,749 |
| Criticized nonaccrual | 11,541 | 22,459 | 183,986 | 297,106 | 170,382 | 688,079 | 23,109 | — | 1,396,662 |
| Total commercial real estate | $ 4,473,083 | 3,865,843 | 4,040,133 | 5,542,410 | 4,401,183 | 13,484,332 | 941,189 | — | $ 36,748,173 |
| Residential builder and developer: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 680,705 | 230,079 | 11,280 | 22,111 | 12,812 | 9,865 | 150,404 | — | $ 1,117,256 |
| Criticized accrual | 2,969 | 28,472 | 9,952 | 108,968 | 15,069 | — | 30,815 | — | 196,245 |
| Criticized nonaccrual | 57 | 654 | — | 518 | — | — | — | — | 1,229 |
| Total residential builder and developer | $ 683,731 | 259,205 | 21,232 | 131,597 | 27,881 | 9,865 | 181,219 | — | $ 1,314,730 |
| Other commercial construction: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 1,032,774 | 1,080,141 | 1,225,845 | 1,185,685 | 366,686 | 297,355 | 15,575 | — | $ 5,204,061 |
| Criticized accrual | 37,893 | 145,199 | 320,463 | 1,025,371 | 299,350 | 144,394 | — | — | 1,972,670 |
| Criticized nonaccrual | — | 9,992 | 44,037 | 35,841 | 10,542 | 22,099 | 2,426 | — | 124,937 |
| Total other commercial construction | $ 1,070,667 | 1,235,332 | 1,590,345 | 2,246,897 | 676,578 | 463,848 | 18,001 | — | $ 7,301,668 |

Increases to criticized commercial and commercial real estate loans since December 31, 2021 were predominantly attributable to the acquisition of People's United.

The Company considers repayment performance a significant indicator of credit quality for its residential real estate loan and consumer loan portfolios. A summary of loans in accrual and nonaccrual status at December 31, 2022 for the various classes of the Company's residential real estate loans and consumer loans by origination year is as follows.

| | Term Loans by Origination Year | | | | | | | Revolving Loans Converted | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | to Term Loans | Total |
| | | | | | (In thousands) | | | | |
| Residential: | | | | | | | | | |
| Current | $ 5,071,379 | 4,001,652 | 2,717,371 | 1,392,866 | 753,908 | 7,523,890 | 30,440 | — | $ 21,491,506 |
| 30-89 days past due | 59,477 | 51,308 | 40,337 | 21,849 | 23,126 | 399,301 | 499 | — | 595,897 |
| Accruing loans past due 90 days or more | 12,012 | 39,934 | 20,067 | 14,050 | 14,007 | 245,332 | — | — | 345,402 |
| Nonaccrual | 5,686 | 10,865 | 2,583 | 9,860 | 4,650 | 231,093 | 7,353 | — | 272,090 |
| Total residential | $ 5,148,554 | 4,103,759 | 2,780,358 | 1,438,625 | 795,691 | 8,399,616 | 38,292 | — | $ 22,704,895 |
| Residential - limited documentation: | | | | | | | | | |
| Current | $ — | — | — | — | — | 950,782 | — | — | $ 950,782 |
| 30-89 days past due | — | — | — | — | — | 22,456 | — | — | 22,456 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | — | — | — | — | — | 77,814 | — | — | 77,814 |
| Total residential - limited documentation | $ — | — | — | — | — | 1,051,052 | — | — | $ 1,051,052 |
| Consumer: | | | | | | | | | |
| Home equity lines and loans: | | | | | | | | | |
| Current | $ 930 | 2,109 | 2,441 | 15,361 | 23,321 | 97,282 | 3,262,533 | 1,487,334 | $ 4,891,311 |
| 30-89 days past due | — | — | — | 171 | 126 | 2,030 | — | 28,460 | 30,787 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | — | 15 | — | 536 | 334 | 6,458 | 2,799 | 74,646 | 84,788 |
| Total home equity lines and loans | $ 930 | 2,124 | 2,441 | 16,068 | 23,781 | 105,770 | 3,265,332 | 1,590,440 | $ 5,006,886 |
| Recreational finance: | | | | | | | | | |
| Current | $ 2,842,091 | 2,280,627 | 1,587,629 | 963,907 | 486,964 | 812,953 | — | — | $ 8,974,171 |
| 30-89 days past due | 8,648 | 9,525 | 12,412 | 8,387 | 5,202 | 10,419 | — | — | 54,593 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | 3,533 | 7,440 | 9,427 | 7,625 | 5,344 | 11,261 | — | — | 44,630 |
| Total recreational finance | $ 2,854,272 | 2,297,592 | 1,609,468 | 979,919 | 497,510 | 834,633 | — | — | $ 9,073,394 |
| Automobile: | | | | | | | | | |
| Current | $ 1,491,076 | 1,557,676 | 702,711 | 378,962 | 167,438 | 95,343 | — | — | $ 4,393,206 |
| 30-89 days past due | 6,926 | 13,324 | 7,284 | 7,239 | 5,464 | 4,249 | — | — | 44,486 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | 2,493 | 10,698 | 7,372 | 7,520 | 5,620 | 5,881 | — | — | 39,584 |
| Total automobile | $ 1,500,495 | 1,581,698 | 717,367 | 393,721 | 178,522 | 105,473 | — | — | $ 4,477,276 |
| Other: | | | | | | | | | |
| Current | 274,530 | 172,238 | 58,339 | 38,439 | 8,217 | 23,163 | 1,375,049 | 8,221 | 1,958,196 |
| 30-89 days past due | $ 3,783 | 1,450 | 326 | 386 | 141 | 569 | 15,655 | 651 | $ 22,961 |
| Accruing loans past due 90 days or more | — | — | — | — | — | 226 | 4,643 | — | 4,869 |
| Nonaccrual | 2,745 | 830 | 332 | 371 | 120 | 465 | 44,449 | 185 | 49,497 |
| Total other | $ 281,058 | 174,518 | 58,997 | 39,196 | 8,478 | 24,423 | 1,439,796 | 9,057 | $ 2,035,523 |
| Total loans and leases at December 31, 2022 | $ 24,853,925 | 18,747,757 | 13,072,920 | 12,737,602 | 7,534,367 | 26,755,951 | 26,197,545 | 1,664,096 | $ 131,564,163 |

The following table summarizes the loan grades applied at December 31, 2021 to the various classes of the Company's commercial loans and commercial real estate loans by origination year.

| | Term Loans by Origination Year | | | | | | Revolving Loans | Revolving Loans Converted to Term Loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | | | |
| | | | | | (In thousands) | | | | |
| Commercial, financial, leasing, etc.: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 4,798,052 | 1,916,072 | 1,476,786 | 951,881 | 500,615 | 1,398,775 | 10,993,461 | 18,699 | $ 22,054,341 |
| Criticized accrual | 196,680 | 98,595 | 107,010 | 73,126 | 36,232 | 185,935 | 484,755 | 15,628 | 1,197,961 |
| Criticized nonaccrual | 19,462 | 23,229 | 17,114 | 39,908 | 20,927 | 33,698 | 60,175 | 6,509 | 221,022 |
| Total commercial, financial, leasing, etc. | $ 5,014,194 | 2,037,896 | 1,600,910 | 1,064,915 | 557,774 | 1,618,408 | 11,538,391 | 40,836 | $ 23,473,324 |
| Real estate: | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 3,413,587 | 2,662,999 | 3,682,178 | 2,648,388 | 2,076,155 | 5,232,790 | 728,948 | — | $ 20,445,045 |
| Criticized accrual | 133,133 | 480,146 | 685,701 | 1,068,552 | 468,530 | 1,743,798 | 38,570 | — | 4,618,430 |
| Criticized nonaccrual | 21,587 | 133,560 | 195,084 | 83,857 | 76,628 | 520,473 | 38,091 | — | 1,069,280 |
| Total commercial real estate | $ 3,568,307 | 3,276,705 | 4,562,963 | 3,800,797 | 2,621,313 | 7,497,061 | 805,609 | — | $ 26,132,755 |
| Residential builder and developer: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 786,983 | 106,510 | 75,287 | 47,587 | 4,680 | 12,450 | 230,017 | — | $ 1,263,514 |
| Criticized accrual | 2,055 | 5,356 | 117,258 | 13,637 | 630 | — | 891 | — | 139,827 |
| Criticized nonaccrual | — | — | 2,910 | — | — | 95 | — | — | 3,005 |
| Total residential builder and developer | $ 789,038 | 111,866 | 195,455 | 61,224 | 5,310 | 12,545 | 230,908 | — | $ 1,406,346 |
| Other commercial construction: | | | | | | | | | |
| Loan grades: | | | | | | | | | |
| Pass | $ 957,947 | 1,781,603 | 2,022,276 | 832,547 | 152,669 | 273,556 | 38,781 | — | $ 6,059,379 |
| Criticized accrual | 24,103 | 54,191 | 675,226 | 583,428 | 228,739 | 114,158 | — | — | 1,679,845 |
| Criticized nonaccrual | — | — | 71,613 | 3,303 | 12,263 | 19,970 | 4,256 | — | 111,405 |
| Total other commercial construction | $ 982,050 | 1,835,794 | 2,769,115 | 1,419,278 | 393,671 | 407,684 | 43,037 | — | $ 7,850,629 |

A summary of loans in accrual and nonaccrual status at December 31, 2021 for the various classes of the Company's residential real estate loans and consumer loans by origination year follows.

| | Term Loans by Origination Year | | | | | | | Revolving Loans Converted to Term Loans | |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | | Total |
| | | | | | (In thousands) | | | | |
| Residential: | | | | | | | | | |
| Current | $ 3,057,118 | 1,672,090 | 1,075,896 | 466,040 | 1,037,958 | 5,913,461 | 72,309 | — | $ 13,294,872 |
| 30-89 days past due | 15,245 | 12,535 | 9,886 | 6,132 | 33,097 | 162,666 | — | — | 239,561 |
| Accruing loans past due 90 days or more | 10,924 | 100,581 | 28,512 | 31,996 | 205,318 | 542,749 | — | — | 920,080 |
| Nonaccrual | 3,359 | 19,858 | 7,119 | 4,577 | 5,890 | 314,792 | 263 | — | 355,858 |
| Total residential | $ 3,086,646 | 1,805,064 | 1,121,413 | 508,745 | 1,282,263 | 6,933,668 | 72,572 | — | $ 14,810,371 |
| Residential - limited documentation: | | | | | | | | | |
| Current | $ — | — | — | — | — | 1,124,520 | — | — | $ 1,124,520 |
| 30-89 days past due | — | — | — | — | — | 16,666 | — | — | 16,666 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | — | — | — | — | — | 122,888 | — | — | 122,888 |
| Total residential - limited documentation | $ — | — | — | — | — | 1,264,074 | — | — | $ 1,264,074 |
| Consumer: | | | | | | | | | |
| Home equity lines and loans: | | | | | | | | | |
| Current | $ 304 | 777 | 2,793 | 1,730 | 1,944 | 38,015 | 2,348,279 | 1,082,775 | $ 3,476,617 |
| 30-89 days past due | — | — | — | 21 | — | 698 | 346 | 14,421 | 15,486 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | — | — | — | — | — | 5,750 | 4,951 | 59,787 | 70,488 |
| Total home equity lines and loans | $ 304 | 777 | 2,793 | 1,751 | 1,944 | 44,463 | 2,353,576 | 1,156,983 | $ 3,562,591 |
| Recreational finance: | | | | | | | | | |
| Current | $ 2,890,111 | 2,088,342 | 1,267,929 | 646,883 | 445,868 | 646,040 | — | — | $ 7,985,173 |
| 30-89 days past due | 5,929 | 8,912 | 8,317 | 5,074 | 5,189 | 7,123 | — | — | 40,544 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | 1,341 | 4,646 | 4,871 | 4,918 | 4,039 | 7,996 | — | — | 27,811 |
| Total recreational finance | $ 2,897,381 | 2,101,900 | 1,281,117 | 656,875 | 455,096 | 661,159 | — | — | $ 8,053,528 |
| Automobile: | | | | | | | | | |
| Current | $ 2,220,061 | 1,097,684 | 662,000 | 341,655 | 211,774 | 71,598 | — | — | $ 4,604,772 |
| 30-89 days past due | 8,508 | 6,615 | 8,936 | 7,161 | 5,715 | 3,129 | — | — | 40,064 |
| Accruing loans past due 90 days or more | — | — | — | — | — | — | — | — | — |
| Nonaccrual | 1,588 | 4,390 | 7,847 | 7,867 | 6,882 | 5,463 | — | — | 34,037 |
| Total automobile | $ 2,230,157 | 1,108,689 | 678,783 | 356,683 | 224,371 | 80,190 | — | — | $ 4,678,873 |
| Other: | | | | | | | | | |
| Current | $ 244,346 | 96,945 | 73,586 | 24,424 | 16,924 | 14,321 | 1,148,096 | 1,505 | $ 1,620,147 |
| 30-89 days past due | 2,937 | 404 | 472 | 255 | 101 | 5,712 | 1,908 | 434 | 12,223 |
| Accruing loans past due 90 days or more | — | — | — | — | — | 3,302 | — | — | 3,302 |
| Nonaccrual | 2,051 | 326 | 326 | 193 | 104 | 353 | 40,807 | 129 | 44,289 |
| Total other | $ 249,334 | 97,675 | 74,384 | 24,872 | 17,129 | 23,688 | 1,190,811 | 2,068 | $ 1,679,961 |
| Total loans and leases at December 31, 2021 | $ 18,817,411 | 12,376,366 | 12,286,933 | 7,895,140 | 5,558,871 | 18,542,940 | 16,234,904 | 1,199,887 | $ 92,912,452 |

The Company's reserve for off-balance sheet credit exposures was not material at December 31, 2022 and December 31, 2021.

## 6. Premises and equipment

The detail of premises and equipment was as follows:

| | December 31 2022 | December 31 2021 |
|---|---|---|
| | (In thousands) | |
| Land | $ 148,905 | $ 93,862 |
| Buildings | 653,983 | 512,988 |
| Leasehold improvements | 386,303 | 304,825 |
| Furniture and equipment — owned | 1,004,127 | 880,153 |
| Furniture and equipment — capital leases | 115 | 115 |
| | 2,193,433 | 1,791,943 |
| Less: accumulated depreciation and amortization | | |
| Owned assets | 1,155,811 | 1,026,842 |
| Capital leases | 76 | 38 |
| | 1,155,887 | 1,026,880 |
| Right of use assets — operating leases | 616,082 | 379,702 |
| Premises and equipment, net | $ 1,653,628 | $ 1,144,765 |

The right-of-use assets and lease liabilities relate to banking offices and other space occupied by the Company and use of certain equipment under noncancelable operating lease agreements. As of December 31, 2022 and 2021, the Company recognized $709 million and $431 million respectively, of operating lease liabilities as a component of “accrued interest and other liabilities” in the consolidated balance sheet. In calculating the present value of lease payments, the Company utilized its incremental secured borrowing rate based on lease term.

The Company’s noncancelable operating lease agreements expire at various dates over the next 19 years. Real estate leases generally consist of fixed monthly rental payments with certain leases containing escalation clauses. Any variable lease payments or payments for nonlease components are recognized in the consolidated statement of income as a component of “equipment and net occupancy” expense based on actual costs incurred. Some leases contain lessee options to extend the term. Those options are included in the lease term when it is determined that it is reasonably certain the option will be exercised.

The Company has noncancelable operating lease agreements for certain equipment related to ATMs, servers, printers and mail machines that are used in the normal course of operations. The ATM leases are either based on the rights to a specific square footage or a license agreement whereby the Company has the right to operate an ATM in a landlord's location. The lease terms generally contain both fixed payments and variable payments that are transaction-based. Given the transaction-based nature of the variable payments, such payments are excluded from the measurement of the right-of-use asset and lease liability and are recognized in the consolidated statement of income as a component of “equipment and net occupancy” expense when incurred.

The following table presents information about the Company's lease costs for operating leases recorded in the consolidated balance sheet, cash paid toward lease liabilities, and the weighted-average remaining term and discount rates of the operating leases.

| | Year Ended December 31, 2022 | 2021 | 2020 |
|---|---|---|---|
| **Lease cost** | | | |
| Operating lease cost | $ 138,836 | $ 101,353 | $ 104,158 |
| Short-term lease cost | 8,269 | 111 | 198 |
| Variable lease cost | 3,743 | 4,103 | 1,565 |
| Total lease cost | $ 150,848 | $ 105,567 | $ 105,921 |
| **Other information** | | | |
| Right-of-use assets: | | | |
| Obtained in exchange for new operating lease liabilities | $ 137,998 | $ 57,760 | $ 70,754 |
| Acquired in business combination | 226,037 | — | — |
| Cash paid toward lease liabilities | 143,029 | 106,586 | 104,396 |
| Weighted-average remaining lease term | 7 years | 6 years | 7 years |
| Weighted-average discount rate | 2.97% | 2.51% | 2.74% |

Minimum lease payments under noncancelable operating leases are summarized in the following table.

| | (In thousands) |
|---|---|
| Year ending December 31: | |
| 2023 | $ 149,061 |
| 2024 | 139,820 |
| 2025 | 118,110 |
| 2026 | 97,979 |
| 2027 | 75,220 |
| Later years | 212,036 |
| Total lease payments | 792,226 |
| Less: imputed interest | 83,025 |
| Total | $ 709,201 |

All other operating leasing activities were not material to the Company's consolidated results of operations. Minimum lease payments required under capital leases are not material.

## 7. Capitalized servicing assets

Changes in capitalized servicing assets were as follows:

| | Residential Mortgage Loans | | | Commercial Mortgage Loans | | |
|---|---|---|---|---|---|---|
| For the Year Ended December 31, | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| | (In thousands) | | | | | |
| Beginning balance | $ 241,053 | $ 231,204 | $ 244,411 | $ 132,604 | $ 133,429 | $ 130,636 |
| Originations | 6,998 | 65,723 | 45,101 | 24,401 | 33,068 | 29,306 |
| Acquired in business combination | 12,133 | — | — | — | — | — |
| Amortization | (65,849) | (55,874) | (58,308) | (30,614) | (33,893) | (26,513) |
| | 194,335 | 241,053 | 231,204 | 126,391 | 132,604 | 133,429 |
| Valuation allowance | — | (24,000) | (30,000) | — | — | — |
| Ending balance, net | $ 194,335 | $ 217,053 | $ 201,204 | $ 126,391 | $ 132,604 | $ 133,429 |

Residential mortgage loans serviced for others were $22.4 billion at December 31, 2022, $23.2 billion at December 31, 2021 and $26.3 billion at December 31, 2020. Excluded from residential mortgage loans serviced for others were loans sub-serviced for others of $96.0 billion, $74.7 billion and $68.1 billion at December 31, 2022, 2021, and 2020, respectively. In conjunction with the acquisition of People's United on April 1, 2022, the Company acquired servicing rights for residential real estate loans that had outstanding principal balances at that date of $1.1 billion. The fair value of such servicing rights at that date was $12 million. Commercial mortgage loans serviced for others were $22.2 billion at December 31, 2022, $20.2 billion at December 31, 2021 and $18.9 billion at December 31, 2020. Excluded from commercial mortgage loans serviced for others were loans sub-serviced for others of $3.8 billion at December 31, 2022, $3.5 billion at December 31, 2021 and $3.3 billion at December 31, 2020.

The estimated fair value of capitalized residential mortgage loan servicing assets was approximately $336 million at December 31, 2022 and $257 million at December 31, 2021. The fair value of capitalized residential mortgage loan servicing assets was estimated using weighted-average discount rates of 12.29% and 9.8% at December 31, 2022 and 2021, respectively, and contemporaneous prepayment assumptions that vary by loan type. At December 31, 2022 and 2021, the discount rate represented a weighted-average option-adjusted spread ("OAS") of 881 basis points (hundredths of one percent) and 894 basis points, respectively, over market implied forward London Interbank Offered Rates ("LIBOR"). The estimated fair value of capitalized residential mortgage loan servicing rights may vary significantly in subsequent periods due to changing interest rates and the effect thereof on prepayment speeds. The estimated fair value of capitalized commercial mortgage loan servicing assets was approximately $156 million at December 31, 2022 and $160 million at December 31, 2021. An 18% discount rate was used to estimate the fair value of capitalized commercial mortgage loan servicing rights at December 31, 2022 and 2021 with no prepayment assumptions because, in general, the servicing agreements allow the Company to share in customer loan prepayment fees and thereby recover the remaining carrying value of the capitalized servicing rights associated with such loan. The Company's ability to realize the carrying value of capitalized commercial mortgage servicing rights is more dependent on the borrowers' abilities to repay the underlying loans than on prepayments or changes in interest rates.

The key economic assumptions used to determine the fair value of significant portfolios of capitalized servicing rights at December 31, 2022 and the sensitivity of such value to changes in those assumptions are summarized in the table that follows. Those calculated sensitivities are hypothetical and actual changes in the fair value of capitalized servicing rights may differ significantly from the amounts presented herein. The effect of a variation in a particular assumption on the fair value of the servicing rights is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities. The changes in assumptions are presumed to be instantaneous.

| | Residential | Commercial |
|---|---|---|
| | (Dollars in thousands) | |
| Weighted-average prepayment speeds | 7.27% | |
| Impact on fair value of 10% adverse change | $ (8,471) | |
| Impact on fair value of 20% adverse change | (16,417) | |
| Weighted-average OAS | 8.81% | |
| Impact on fair value of 10% adverse change | $ (10,226) | |
| Impact on fair value of 20% adverse change | (19,830) | |
| Weighted-average discount rate | | 18.00% |
| Impact on fair value of 10% adverse change | | $ (6,467) |
| Impact on fair value of 20% adverse change | | (12,498) |

## 8. Goodwill and other intangible assets

The Company does not amortize goodwill, however, core deposit and other intangible assets are amortized over the estimated life of each respective asset. A summary of total amortizing intangible assets follows.

| | Gross Carrying Amount | Accumulated Amortization (In thousands) | Net Carrying Amount |
|---|---|---|---|
| December 31, 2022 | | | |
| Core deposit | $ 218,000 | $ 40,875 | $ 177,125 |
| Other | 43,000 | 10,751 | 32,249 |
| Total | $ 261,000 | $ 51,626 | $ 209,374 |
| December 31, 2021 | | | |
| Core deposit | $ 131,664 | $ 127,746 | $ 3,918 |
| Other | 6,757 | 6,677 | 80 |
| Total | $ 138,421 | $ 134,423 | $ 3,998 |

Amortization of core deposit and other intangible assets was generally computed using accelerated methods over original amortization periods of three to seven years. The weighted-average original amortization period was approximately six years. Amortization expense for core deposit and other intangible assets was $56 million, $10 million and $15 million for the years ended December 31, 2022, 2021 and 2020, respectively. Estimated amortization expense in future years for such intangible assets is as follows:

| | (In thousands) |
|---|---|
| Year ending December 31: | |
| 2023 | $ 62,044 |
| 2024 | 52,992 |
| 2025 | 37,939 |
| 2026 | 26,887 |
| 2027 | 17,835 |
| Later years | 11,677 |
| | $ 209,374 |

The Company completed annual goodwill impairment tests as of October 1, 2022, 2021 and 2020. For purposes of testing for impairment, the Company assigned all recorded goodwill to the reporting units originally intended to benefit from past business combinations, which has historically been the Company’s core relationship business reporting units. Goodwill was generally assigned based on the implied fair value of the acquired goodwill applicable to the benefited reporting units at the time of each respective acquisition. The implied fair value of the goodwill was determined as the difference between the estimated incremental overall fair value of the reporting unit and the estimated fair value of the net assets assigned to the reporting unit as of each respective acquisition date. To test for goodwill impairment at each evaluation date, the Company compared the estimated fair value of each of its reporting units to their respective carrying amounts and certain other assets and liabilities assigned to the reporting unit, including goodwill and core deposit and other intangible assets. The methodologies used to estimate fair values of reporting units as of the acquisition dates and as of the evaluation dates were similar. For the Company’s core customer relationship business reporting units, fair value was estimated as the present value of the expected future cash flows of the reporting unit. Based on the results of the goodwill impairment tests, the Company concluded that the amount of recorded goodwill was not impaired at the respective testing dates.

A summary of goodwill assigned to each of the Company's reportable segments as of December 31, 2022 and 2021 for purposes of testing for impairment is as follows:

| | December 31, 2021 | 2022 Transactions (a) | December 31, 2022 |
|---|---|---|---|
| | | (In thousands) | |
| Business Banking | $ 864,366 | $ 693,905 | $ 1,558,271 |
| Commercial Banking | 1,401,873 | 2,686,253 | 4,088,126 |
| Commercial Real Estate | 654,389 | 291,217 | 945,606 |
| Discretionary Portfolio | — | — | — |
| Residential Mortgage Banking | — | — | — |
| Retail Banking | 1,309,191 | 221,196 | 1,530,387 |
| All Other | 363,293 | 4,406 | 367,699 |
| Total | $ 4,593,112 | $ 3,896,977 | $ 8,490,089 |

(a) *All increases relate to the acquisition of People's United on April 1, 2022. The increase in "All Other" was partially offset by an $11 million decrease representing goodwill allocated to the M&T Insurance Agency sold in October 2022. Further information regarding those transactions is provided in note 2.*

## 9. Borrowings

The amounts and interest rates of short-term borrowings were as follows:

| | Federal Funds Purchased and Repurchase Agreements | Other Short-term Borrowings | Total |
|---|---|---|---|
| | (Dollars in thousands) | | |
| At December 31, 2022 | | | |
| Amount outstanding | $ 354,670 | $ 3,200,281 | $ 3,554,951 |
| Weighted-average interest rate | 1.01% | 4.59% | 4.24% |
| For the year ended December 31, 2022 | | | |
| Highest amount at a month-end | $ 633,684 | $ 3,200,283 | |
| Daily-average amount outstanding | 368,326 | 567,654 | $ 935,980 |
| Weighted-average interest rate | 0.20% | 3.29% | 2.08% |
| At December 31, 2021 | | | |
| Amount outstanding | $ 47,046 | $ — | $ 47,046 |
| Weighted-average interest rate | 0.01% | — | 0.01% |
| For the year ended December 31, 2021 | | | |
| Highest amount at a month-end | $ 103,548 | $ — | |
| Daily-average amount outstanding | 68,073 | — | $ 68,073 |
| Weighted-average interest rate | 0.01% | — | 0.01% |
| At December 31, 2020 | | | |
| Amount outstanding | $ 59,482 | $ — | $ 59,482 |
| Weighted-average interest rate | 0.01% | — | 0.01% |
| For the year ended December 31, 2020 | | | |
| Highest amount at a month-end | $ 82,893 | $ — | |
| Daily-average amount outstanding | 61,551 | — | $ 61,551 |
| Weighted-average interest rate | 0.05% | — | 0.05% |

Short-term borrowings have a stated maturity of one year or less at the date the Company enters into the obligation. In general, federal funds and repurchase agreements mature on the next business day and other short-term borrowings are set to mature in February 2023.

At December 31, 2022, M&T Bank had lines of credit under formal agreements as follows:

| | (In thousands) |
|---|---|
| Outstanding borrowings | $ 3,205,807 |
| Unused | 34,250,872 |

At December 31, 2022, M&T Bank had borrowing facilities available with the FHLBs whereby M&T Bank could borrow up to approximately $23.1 billion. Additionally, M&T Bank had an available line of credit with the Federal Reserve Bank of New York totaling approximately $14.3 billion at December 31, 2022. M&T Bank is required to pledge loans and investment securities as collateral for these borrowing facilities.

Long-term borrowings were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (In thousands) | |
| Senior notes of M&T: | | |
| Variable rate due 2023 | $ 249,961 | $ 249,893 |
| 3.55% due 2023 | 493,960 | 516,173 |
| 4.55% fixed/variable due 2028 | 477,044 | — |
| Senior notes of M&T Bank: | | |
| Variable rate due 2022 | — | 249,961 |
| 2.50% due 2022 | — | 653,903 |
| 5.40% due 2025 | 499,317 | — |
| 2.90% due 2025 | 749,824 | 749,740 |
| Advances from FHLB: | | |
| Fixed rates | 5,183 | 1,578 |
| Subordinated notes of M&T: | | |
| 5.75% due 2024 | 77,337 | — |
| Subordinated notes of M&T Bank: | | |
| 4.00% due 2024 | 403,569 | — |
| 3.40% due 2027 | 462,727 | 522,867 |
| Junior subordinated debentures of M&T associated with preferred capital securities: | | |
| Fixed rates: | | |
| BSB Capital Trust I — 8.125%, due 2028 | 15,798 | 15,775 |
| Provident Trust I — 8.29%, due 2028 | 31,267 | 30,103 |
| Southern Financial Statutory Trust I — 10.60%, due 2030 | 6,999 | 6,912 |
| Variable rates: | | |
| First Maryland Capital I — due 2027 | 149,479 | 148,945 |
| First Maryland Capital II — due 2027 | 151,932 | 151,270 |
| Allfirst Asset Trust — due 2029 | 97,365 | 97,220 |
| BSB Capital Trust III — due 2033 | 15,464 | 15,464 |
| Provident Statutory Trust III — due 2033 | 59,132 | 57,547 |
| Southern Financial Capital Trust III — due 2033 | 8,644 | 8,448 |
| Other | 9,535 | 9,570 |
| | $ 3,964,537 | $ 3,485,369 |

The variable rate senior notes of M&T pay interest quarterly at a rate that is indexed to the three-month LIBOR. The contractual interest rates for those notes were 5.00% at December 31, 2022 and .81% at December 31, 2021.

The variable rate senior notes of M&T Bank were repaid in 2022 and paid interest quarterly at a rate that was indexed to the three-month LIBOR. The contractual interest rate was .61% at December 31, 2021.

Long-term fixed rate advances from the FHLB had weighted-average contractual interest rates of 2.34% at December 31, 2022 and 5.82% at December 31, 2021. Advances from the FHLB outstanding at December 31, 2022 have maturity dates that range from 2023 to 2039 and are secured by residential real estate loans, commercial real estate loans and investment securities.

The fixed and variable rate junior subordinated deferrable interest debentures of M&T ("Junior Subordinated Debentures") are held by various trusts and were issued in connection with the issuance by those trusts of preferred capital securities ("Capital Securities") and common securities ("Common Securities"). The proceeds from the issuances of the Capital Securities and the Common Securities were used by the trusts to purchase the Junior Subordinated Debentures. The Common Securities of each of those trusts are wholly owned by M&T and are the only class of each trust's securities possessing general voting powers. The Capital Securities represent preferred undivided interests in the assets of the corresponding trust. Under the Federal Reserve Board's risk-based capital guidelines, the Capital Securities qualify for inclusion in Tier 2 regulatory capital. The variable rate Junior Subordinated Debentures pay interest quarterly at rates that are indexed to the three-month LIBOR or, upon the expected cessation of LIBOR after June 30, 2023, at rates that are indexed to the three-month Secured Overnight Financing Rate ("SOFR"). Those rates ranged from 5.08% to 7.69% at December 31, 2022 and from .98% to 3.47% at December 31, 2021. The weighted-average variable rates payable on those Junior Subordinated Debentures were 5.66% at December 31, 2022 and 1.53% at December 31, 2021.

Holders of the Capital Securities receive preferential cumulative cash distributions unless M&T exercises its right to extend the payment of interest on the Junior Subordinated Debentures as allowed by the terms of each such debenture, in which case payment of distributions on the respective Capital Securities will be deferred for comparable periods. During an extended interest period, M&T may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock. In general, the agreements governing the Capital Securities, in the aggregate, provide a full, irrevocable and unconditional guarantee by M&T of the payment of distributions on, the redemption of, and any liquidation distribution with respect to the Capital Securities. The obligations under such guarantee and the Capital Securities are subordinate and junior in right of payment to all senior indebtedness of M&T.

The Capital Securities will remain outstanding until the Junior Subordinated Debentures are repaid at maturity, are redeemed prior to maturity or are distributed in liquidation to the trusts. The Capital Securities are mandatorily redeemable in whole, but not in part, upon repayment at the stated maturity dates (ranging from 2027 to 2033) of the Junior Subordinated Debentures or the earlier redemption of the Junior Subordinated Debentures in whole upon the occurrence of one or more events set forth in the indentures relating to the Capital Securities, and in whole or in part at any time after an optional redemption prior to contractual maturity contemporaneously with the optional redemption of the related Junior Subordinated Debentures in whole or in part, subject to possible regulatory approval.

Long-term borrowings at December 31, 2022 mature as follows:

| | (In thousands) |
|---|---|
| Year ending December 31: | |
| 2023 | $ 744,127 |
| 2024 | 490,411 |
| 2025 | 1,250,599 |
| 2026 | 628 |
| 2027 | 764,246 |
| Later years | 714,526 |
| | $ 3,964,537 |

## 10. Shareholders' equity

M&T is authorized to issue 20,000,000 shares of preferred stock. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference, but have no general voting rights.

Issued and outstanding preferred stock of M&T as of December 31, 2022 and 2021 is presented below:

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Shares Issued and Outstanding | Carrying Value | Shares Issued and Outstanding | Carrying Value |
| | | (Dollars in thousands) | | |
| Series E (a)<br>Fixed-to-Floating Rate Non-cumulative Perpetual Preferred Stock $1,000 liquidation preference per share | 350,000 | $ 350,000 | 350,000 | $ 350,000 |
| Series F (b)<br>Fixed-to-Floating Rate Non-cumulative Perpetual Preferred Stock $10,000 liquidation preference per share | 50,000 | $ 500,000 | 50,000 | $ 500,000 |
| Series G (c)<br>Fixed-Rate Reset Non-cumulative Perpetual Preferred Stock $10,000 liquidation preference per share | 40,000 | $ 400,000 | 40,000 | $ 400,000 |
| Series H (d)<br>Fixed-to-Floating Rate Non-cumulative Perpetual Preferred Stock $25 liquidation preference per share | 10,000,000 | $ 260,600 | — | — |
| Series I (e)<br>Fixed-Rate Reset Non-cumulative Perpetual Preferred Stock $10,000 liquidation preference per share | 50,000 | $ 500,000 | 50,000 | $ 500,000 |

*(a) Dividends, if declared, are paid semi-annually at a rate of 6.45% through February 14, 2024 and thereafter will be paid quarterly at a rate of the three-month LIBOR plus 361 basis points. Upon the expected cessation of LIBOR after June 30, 2023 dividends are estimated to be paid quarterly at a rate of three-month SOFR plus 387 basis points. The shares are redeemable in whole or in part on or after February 15, 2024. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. Declared dividends per share were $64.50 in each of 2022, 2021 and 2020.*

*(b) Dividends, if declared, are paid semi-annually at a rate of 5.125% through October 31, 2026 and thereafter will be paid quarterly at a rate of the three-month LIBOR plus 352 basis points. Upon the expected cessation of LIBOR after June 30, 2023 dividends are estimated to be paid quarterly at a rate of three-month SOFR plus 378 basis points. The shares are redeemable in whole or in part on or after November 1, 2026. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. Declared dividends per share were $512.50 in each of 2022, 2021 and 2020.*

*(c) Dividends, if declared, are paid semi-annually at a rate of 5.0% through July 31, 2024 and thereafter will be paid semi-annually at a rate of the five-year U.S. Treasury rate plus 3.174%. The shares are redeemable in whole or in part on or after August 1, 2024. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. Declared dividends per share were $500.00 in each of 2022 and 2021, and $500.694 in 2020.*

*(d) Dividends, if declared, are paid quarterly at a rate of 5.625% through December 14, 2026 and thereafter will be paid quarterly at a rate of the three-month LIBOR plus 402 basis points. Upon the expected cessation of LIBOR after June 30, 2023 dividends are estimated to be paid quarterly at a rate of three-month SOFR plus 428 basis points. The shares are redeemable in whole or in part on or after April 1, 2027. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. Dividends declared per share were $1.0547 in 2022.*

*(e) Dividends, if declared, are paid semi-annually at a rate of 3.5% through August 31, 2026 and thereafter will be paid semi-annually at a rate of the five-year U.S. Treasury rate plus 2.679%. The shares are redeemable in whole or in part on or after September 1, 2026. Notwithstanding M&T's option to redeem the shares, if an event occurs such that the shares no longer qualify as Tier 1 capital, M&T may redeem all of the shares within 90 days following that occurrence. Dividends declared per share were $356.806 in 2022 and $94.306 in 2021.*

## 11. Revenue from contracts with customers

The Company generally charges customer accounts or otherwise bills customers upon completion of its services. Typically the Company's contracts with customers have a duration of one year or less and payment for services is received at least annually, but oftentimes more frequently as services are provided. At December 31, 2022 and 2021, the Company had $74 million and $68 million, respectively, of amounts receivable related to recognized revenue from the sources in the accompanying tables. Such amounts are classified in "accrued interest and other assets" in the consolidated balance sheet. In certain situations the Company is paid in advance of providing services and defers the recognition of revenue until its service obligation is satisfied. At December 31, 2022 and 2021, the Company had deferred revenue of $48 million and $45 million, respectively, related to the sources in the accompanying tables recorded in "accrued interest and other liabilities" in the consolidated balance sheet. The following tables summarize sources of the Company's noninterest income during 2022, 2021 and 2020 that are subject to the revenue recognition guidance.

| | Business Banking | Commercial Banking | Commercial Real Estate | Discretionary Portfolio | Residential Mortgage Banking | Retail Banking | All Other | Total |
|---|---|---|---|---|---|---|---|---|
| **Year Ended December 31, 2022** | | | | (In thousands) | | | | |
| **Classification in consolidated statement of income** | | | | | | | | |
| Service charges on deposit accounts | $ 71,057 | 111,238 | 14,569 | — | — | 243,871 | 5,869 | $ 446,604 |
| Trust income | 6 | — | — | — | — | — | 740,711 | 740,717 |
| Brokerage services income | — | — | — | — | — | — | 87,877 | 87,877 |
| Other revenues from operations: | | | | | | | | |
| Merchant discount and credit card fees | 62,040 | 67,433 | 3,924 | — | — | 24,454 | 1,405 | 159,256 |
| Other | — | 14,358 | 10,183 | 91 | 3,401 | 23,796 | 38,118 | 89,947 |
| | $ 133,103 | 193,029 | 28,676 | 91 | 3,401 | 292,121 | 873,980 | $1,524,401 |
| **Year Ended December 31, 2021** | | | | | | | | |
| **Classification in consolidated statement of income** | | | | | | | | |
| Service charges on deposit accounts | $ 53,816 | 98,880 | 11,853 | — | — | 232,279 | 5,285 | $ 402,113 |
| Trust income | — | — | — | — | — | — | 644,716 | 644,716 |
| Brokerage services income | — | — | — | — | — | — | 62,791 | 62,791 |
| Other revenues from operations: | | | | | | | | |
| Merchant discount and credit card fees | 52,343 | 55,164 | 2,661 | — | — | 20,850 | 387 | 131,405 |
| Other | — | 5,968 | 7,304 | 1,359 | 6,166 | 22,878 | 39,973 | 83,648 |
| | $ 106,159 | 160,012 | 21,818 | 1,359 | 6,166 | 276,007 | 753,152 | $1,324,673 |
| **Year Ended December 31, 2020** | | | | | | | | |
| **Classification in consolidated statement of income** | | | | | | | | |
| Service charges on deposit accounts | $ 50,119 | 92,720 | 10,252 | — | — | 211,858 | 5,839 | $ 370,788 |
| Trust income | 18 | 442 | — | — | — | — | 601,424 | 601,884 |
| Brokerage services income | — | — | — | — | — | — | 47,428 | 47,428 |
| Other revenues from operations: | | | | | | | | |
| Merchant discount and credit card fees | 40,475 | 45,528 | 2,221 | — | — | 13,481 | 767 | 102,472 |
| Other | — | 9,408 | 6,218 | 1,625 | 4,732 | 20,813 | 41,815 | 84,611 |
| | $ 90,612 | 148,098 | 18,691 | 1,625 | 4,732 | 246,152 | 697,273 | $1,207,183 |

*Service charges on deposit accounts* include fees deducted directly from customer account balances, such as account maintenance, insufficient funds and other transactional service charges, and also include debit card interchange revenue resulting from customer initiated transactions. Account maintenance charges are generally recognized as revenue on a monthly basis, whereas other fees are recognized after the respective service is provided.

*Trust income* includes fees related to the Institutional Client Services ("ICS") business and the Wealth Advisory Services ("WAS") business. Revenues from the ICS business are largely derived from a variety of trustee, agency, investment, cash management and administrative services, whereas revenues from the WAS business are mainly derived from asset management, fiduciary services, and family office services. Trust fees may be billed in arrears or in advance and are recognized as revenues as the Company's performance obligations are satisfied. Certain fees are based on a percentage of assets invested or under management and are recognized as the service is performed and constraints regarding the uncertainty of the amount of fees are resolved.

*Brokerage services income* includes revenues from the sale of mutual funds and annuities and securities brokerage fees. Such revenues are generally recognized at the time of transaction execution. Mutual fund and other distribution fees are recognized upon initial placement of customer funds as well as in future periods as such customers continue to hold amounts in those mutual funds.

*Other revenues from operations* include merchant discount and credit card fees that are generally recognized when the cardholder's transaction is approved and settled. Also included in other revenues from operations are insurance commissions, ATM surcharge fees, and advisory fees. Insurance commissions are recognized at the time the insurance policy is executed with the customer. Insurance renewal commissions are recognized upon subsequent renewal of the policy. ATM surcharge fees are included in revenue at the time of the respective ATM transaction. Advisory fees are generally recognized at the conclusion of the advisory engagement when the Company has satisfied its service obligation.

## 12. Stock-based compensation plans

Stock-based compensation expense was $111 million in 2022, $85 million in 2021 and $80 million in 2020. The Company recognized income tax benefits related to stock-based compensation of $26 million in 2022, $16 million in 2021 and $17 million in 2020.

The Company's equity incentive compensation plan allows for the issuance of various forms of stock-based compensation, including stock options, restricted stock and restricted stock units, including performance-based awards. At December 31, 2022 and 2021, respectively, there were 1,650,696 and 2,299,502 shares available for future grant under the Company's equity incentive compensation plan.

### *Stock awards*

Stock awards granted to employees are comprised of restricted stock and restricted stock units. Stock awards generally vest over three years. The Company may issue shares from treasury stock to the extent available or issue new shares. There were no restricted shares issued in 2022, 2021 or 2020. The number of restricted stock units issued was 548,926 in 2022, 636,956 in 2021 and 480,949 in 2020, with a weighted-average grant date fair value of $93 million, $84 million and $81 million, respectively. Unrecognized compensation expense associated with restricted stock and restricted stock units, inclusive of those awards assumed in the acquisition of People's United, was $38 million as of December 31, 2022 and is expected to be recognized over a weighted-average period of approximately one year.

A summary of restricted stock and restricted stock unit activity follows:

| | Restricted Stock Units Outstanding | Weighted-Average Grant Price | Restricted Stock Outstanding | Weighted-Average Grant Price |
|---|---|---|---|---|
| Unvested at January 1, 2022 | 1,038,692 | $ 147.32 | 4,076 | $ 162.35 |
| Granted | 548,926 | 169.13 | — | — |
| Assumed in business combination | 252,820 | 164.66 | 173,204 | 164.66 |
| Vested | (628,130) | 156.21 | (100,017) | 164.57 |
| Cancelled | (44,726) | 155.72 | (2,257) | 164.66 |
| Unvested at December 31, 2022 | 1,167,582 | 156.23 | 75,006 | $ 164.65 |

***Stock option awards***
Stock options granted to employees generally vest over three years and are exercisable over terms not exceeding ten years and one day. The Company granted 138,825, 178,441 and 187,088 stock options in 2022, 2021 and 2020, respectively. The weighted-average grant date fair value of options granted was $6 million in 2022 and $5 million in each of 2021 and 2020. The Company used an option pricing model to estimate the grant date present value of stock options granted.

A summary of stock option activity follows:

| | Stock Options Outstanding | Weighted-Average Exercise Price | Weighted-Average Life (In Years) | Aggregate Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Outstanding at January 1, 2022 | 635,864 | $ 162.73 | | |
| Granted | 138,825 | 169.38 | | |
| Assumed in business combination | 1,857,739 | 141.58 | | |
| Exercised | (278,336) | 142.36 | | |
| Expired | (14,030) | 157.47 | | |
| Outstanding at December 31, 2022 | 2,340,062 | $ 148.78 | 5.9 | $ 18,797 |
| Exercisable at December 31, 2022 | 1,840,243 | $ 147.61 | 5.2 | $ 15,797 |

For 2022, 2021 and 2020 M&T received $37 million, $305,000 and $3 million, respectively, in cash from the exercise of stock options. The intrinsic value of stock options exercised and the related tax benefit realized by the Company were not material in any of those three years. As of December 31, 2022, the amount of unrecognized compensation cost related to non-vested stock options was not material. The total grant date fair value of stock options vested during 2022, 2021 and 2020 was not material. Upon the exercise of stock options, the Company may issue shares from treasury stock to the extent available or issue new shares.

***Stock purchase plan***
The stock purchase plan provides eligible employees of the Company with the right to purchase shares of M&T common stock at a discount through accumulated payroll deductions. In connection with the employee stock purchase plan, shares of M&T common stock issued were 75,232 in 2022, 95,147 in 2021 and 77,170 in 2020. As of December 31, 2022, there were 2,063,202 shares available for issuance under the plan. M&T received cash for shares purchased through the employee stock purchase plan of $11 million in each of 2022 and 2021, and $12 million in 2020. Compensation expense recognized for the stock purchase plan was not material in 2022, 2021 or 2020.

***Deferred bonus plan***
The Company provided a deferred bonus plan pursuant to which eligible employees could elect to defer all or a portion of their annual incentive compensation awards and allocate such awards to several investment options, including M&T common stock. Participants could elect the timing of distributions from the plan. Such distributions are payable in cash with the exception of balances allocated to M&T common stock which are distributable in the form of M&T common stock. Shares of M&T common stock distributable pursuant to the terms of the deferred bonus plan were 11,725 and 13,319 at December 31, 2022 and 2021, respectively. The obligation to issue shares is included in “common stock issuable” in the consolidated balance sheet.

***Directors' stock compensation programs***

The Company maintains compensation programs for members of the Company's boards of directors and its regional director advisory councils that provides for a portion of their compensation to be received in shares or restricted stock units. In 2022 and 2021, 22,068 and 28,646 shares, respectively, were granted under such programs.

Through acquisitions, the Company assumed obligations to issue shares of M&T common stock related to deferred directors' compensation plans. Shares of common stock issuable under such plans were 2,306 and 2,450 at December 31, 2022 and 2021, respectively. The obligation to issue shares is included in "common stock issuable" in the consolidated balance sheet.

## 13. Pension plans and other postretirement benefits

The Company provides defined pension and other postretirement benefits (including health care and life insurance benefits) to qualified retired employees. The Company uses a December 31 measurement date for all of its plans.

Net periodic pension expense for defined benefit plans consisted of the following:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | (In thousands) | |
| Service cost | $ 17,660 | $ 20,513 | $ 19,944 |
| Interest cost on benefit obligation | 82,467 | 61,873 | 71,421 |
| Expected return on plan assets | (187,609) | (143,448) | (125,512) |
| Amortization of prior service cost | 516 | 553 | 557 |
| Recognized net actuarial loss | 19,895 | 89,017 | 58,096 |
| Net periodic pension cost (benefit) | $ (67,071) | $ 28,508 | $ 24,506 |

Net other postretirement benefits expense for defined benefit plans consisted of the following:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | (In thousands) | |
| Service cost | $ 2,604 | $ 1,014 | $ 970 |
| Interest cost on benefit obligation | 2,188 | 1,311 | 1,741 |
| Amortization of prior service credit | (2,772) | (4,738) | (4,738) |
| Recognized net actuarial gain | (1,481) | (1,295) | (1,236) |
| Net other postretirement benefits | $ 539 | $ (3,708) | $ (3,263) |

Service cost is reflected in salaries and employee benefits expense. The other components of net periodic benefit expense are reflected in other costs of operations.

Prior to 2022, net actuarial losses were generally amortized over the average remaining service periods of active participants in the Company's defined benefit pension plan. If all or substantially all of the plan's participants are inactive, GAAP provides for the average remaining life expectancy of the participants to be used instead of average remaining service period in determining such amortization. Substantially all of the participants in the Company's defined benefit pension plan were inactive and beginning in 2022 the average remaining life expectancy is now utilized prospectively to amortize the net unrecognized losses. The change increased the amortization period by approximately sixteen years and reduced the amount of amortization of unrecognized losses recorded for the year ended December 31, 2022 from what would have been recorded without such change in amortization period by $36 million.

Data relating to the funding position of the defined benefit plans were as follows:

| | Pension Benefits 2022 | Pension Benefits 2021 | Other Postretirement Benefits 2022 | Other Postretirement Benefits 2021 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | $ 2,420,213 | $ 2,521,292 | $ 51,846 | $ 55,281 |
| Service cost | 17,660 | 20,513 | 2,604 | 1,014 |
| Interest cost | 82,467 | 61,873 | 2,188 | 1,311 |
| Plan participants' contributions | — | — | 2,433 | 2,553 |
| Actuarial (gain) loss | (636,220) | (69,230) | (21,735) | (2,232) |
| Plan amendment | — | — | 13,260 | — |
| Business combinations | 632,855 | — | 14,859 | — |
| Medicare Part D reimbursement | — | — | 506 | 540 |
| Benefits paid | (137,987) | (114,235) | (5,600) | (6,621) |
| Benefit obligation at end of year | 2,378,988 | 2,420,213 | 60,361 | 51,846 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | 2,595,838 | 2,420,582 | — | — |
| Actual return on plan assets | (385,823) | 278,260 | — | — |
| Employer contributions | 14,397 | 11,231 | 2,661 | 3,528 |
| Business combinations | 855,555 | — | — | — |
| Plan participants' contributions | — | — | 2,433 | 2,553 |
| Medicare Part D reimbursement | — | — | 506 | 540 |
| Benefits paid | (137,987) | (114,235) | (5,600) | (6,621) |
| Fair value of plan assets at end of year | 2,941,980 | 2,595,838 | — | — |
| Funded status | $ 562,992 | $ 175,625 | $ (60,361) | $ (51,846) |
| Prepaid asset recognized in the consolidated balance sheet | 715,418 | 332,197 | — | — |
| Accrued liability recognized in the consolidated balance sheet | (152,426) | (156,572) | (60,361) | (51,846) |
| Net accrued asset (liability) recognized in the consolidated balance sheet | $ 562,992 | $ 175,625 | $ (60,361) | $ (51,846) |
| Amounts recognized in accumulated other comprehensive income ("AOCI") were: | | | | |
| Net loss (gain) | $ 309,039 | $ 391,721 | $ (34,892) | $ (14,638) |
| Net prior service cost (credit) | 208 | 724 | (1,499) | (17,531) |
| Pre-tax adjustment to AOCI | 309,247 | 392,445 | (36,391) | (32,169) |
| Taxes | (80,095) | (101,447) | 9,425 | 8,316 |
| Net adjustment to AOCI | $ 229,152 | $ 290,998 | $ (26,966) | $ (23,853) |

The Company has an unfunded supplemental pension plan for certain key executives and others. The projected benefit obligation and accumulated benefit obligation included in the preceding data related to such plan were $152 million as of December 31, 2022 and $157 million as of December 31, 2021.

The accumulated benefit obligation for all defined benefit pension plans was $2.4 billion at each of December 31, 2022 and 2021.

GAAP requires an employer to recognize in its balance sheet as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. Gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit expense, are recognized as a component of other comprehensive income. Amortization of net gains and losses is included in annual net periodic benefit expense if, as of the beginning of the year, the net gain or loss exceeds 10% of the greater of the benefit obligation or the market-related fair value of the plan assets. As indicated in the preceding table, as of December 31, 2022 the Company recorded a minimum liability adjustment of $273 million ($309 million related to pension plans and ($36 million) related to other postretirement benefits) with a corresponding reduction of shareholders' equity, net of applicable deferred taxes, of $202 million. In aggregate, the benefit plans realized a net gain during 2022 that resulted in a decrease to the minimum liability adjustment from that which was recorded at December 31, 2021 of $87 million. The net gain in 2022 was mainly the result of increasing the discount rate used to measure the benefit obligation of all plans to 5.00% at December 31, 2022 from 2.75% used at the prior year-end offset, in part, by a return on plan assets that was lower than the assumed expected return and by the amortization of actuarial losses. The table below reflects the changes in plan assets and benefit obligations recognized in other comprehensive income related to the Company's postretirement benefit plans.

| | Pension Plans | Other Postretirement Benefit Plans | Total |
|---|---|---|---|
| | | (In thousands) | |
| **2022** | | | |
| Net loss (gain) | $ (62,787) | $ (21,735) | $ (84,522) |
| Net prior service cost | — | 13,260 | 13,260 |
| Amortization of prior service (cost) credit | (516) | 2,772 | 2,256 |
| Amortization of actuarial (loss) gain | (19,895) | 1,481 | (18,414) |
| Total recognized in other comprehensive income, pre-tax | $ (83,198) | $ (4,222) | $ (87,420) |
| **2021** | | | |
| Net loss (gain) | $ (204,042) | $ (2,232) | $ (206,274) |
| Amortization of prior service (cost) credit | (553) | 4,738 | 4,185 |
| Amortization of actuarial (loss) gain | (89,017) | 1,295 | (87,722) |
| Total recognized in other comprehensive income, pre-tax | $ (293,612) | $ 3,801 | $ (289,811) |

The Company also provides a qualified defined contribution pension plan to eligible employees who were not participants in the defined benefit pension plan as of December 31, 2005 and to other employees who have elected to participate in the defined contribution plan. The Company makes contributions to the defined contribution plan each year in an amount that is based on an individual participant's total compensation (generally defined as total wages, incentive compensation, commissions and bonuses) and years of service. Company contributions to the plan are discretionary for participants for which eligibility occurred after January 1, 2020. Participants do not contribute to the defined contribution pension plan. Pension expense recorded in 2022, 2021 and 2020 associated with the defined contribution pension plan was $45 million, $40 million and $35 million, respectively.

***Assumptions***
The assumed weighted-average rates used to determine benefit obligations at December 31 were:

| | Pension Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Discount rate | 5.00% | 2.75% | 5.00% | 2.75% |
| Rate of increase in future compensation levels | 3.33% | 3.35% | — | — |

The assumed weighted-average rates used to determine net benefit expense for the years ended December 31 were:

| | Pension Benefits | | | Other Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Discount rate | 2.75% | 2.50% | 3.25% | 2.75% | 2.50% | 3.25% |
| Long-term rate of return on plan assets | 6.25% | 6.25% | 6.50% | — | — | — |
| Rate of increase in future compensation levels | 3.35% | 3.37% | 4.29% | — | — | — |

The discount rate used by the Company to determine the present value of the Company's future benefit obligations reflects specific market yields for a hypothetical portfolio of highly rated corporate bonds that would produce cash flows similar to the Company's benefit plan obligations and the level of market interest rates in general as of the year-end.

The expected long-term rate of return assumption as of each measurement date was developed through analysis of historical market returns, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The expected rate of return assumption represents a long-term average view of the performance of the plan assets, a return that may or may not be achieved during any one calendar year.

The Company's defined benefit pension plan is sensitive to the long-term rate of return on plan assets and the discount rate. To demonstrate the sensitivity of pension expense to changes in these assumptions, with all other assumptions held constant, 25 basis point increases in: the rate of return on plan assets would have resulted in a decrease in pension expense of approximately $6 million; and the discount rate would have resulted in a decrease in pension expense of approximately $2 million. Decreases of 25 basis points in those assumptions would have resulted in similar changes in amount, but in the opposite direction from the changes presented in the preceding sentence. Additionally, an increase of 25 basis points in the discount rate would have decreased the benefit obligation by $64 million and a decrease of 25 basis points in the discount rate would have increased the benefit obligation by $67 million at December 31, 2022.

For measurement of other postretirement benefits, a 6.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2022. The rate was assumed to decrease to 5.00% over six years.

***Plan assets***
The Company's policy is to invest the pension plan assets in a prudent manner for the purpose of providing benefit payments to participants and mitigating reasonable expenses of administration. The Company's investment strategy is designed to provide a total return that, over the long-term, places an emphasis on the preservation of capital. The strategy attempts to maximize investment returns on assets at a level of risk deemed appropriate by the Company while complying with applicable regulations and laws. The investment strategy utilizes asset diversification as a principal determinant for establishing an appropriate risk profile while emphasizing total return realized from capital appreciation, dividends and interest income. The target allocations for plan assets are generally 25 to 60 percent equity

securities, 10 to 65 percent debt securities, and 5 to 60 percent money-market investments/cash equivalents and other investments, although holdings could be more or less than these general guidelines based on market conditions at the time and actions taken or recommended by the investment managers providing advice to the Company. Assets are managed by a combination of internal and external investment managers. Equity securities may include investments in domestic and international equities, through individual securities, mutual funds and exchange-traded funds. Debt securities may include investments in corporate bonds of companies from diversified industries, mortgage-backed securities guaranteed by government agencies and U.S. Treasury securities through individual securities and mutual funds. Additionally, the Company's defined benefit pension plan held $633 million (22% of total assets) of real estate funds, private investments, hedge funds and other investments at December 31, 2022. Returns on invested assets are periodically compared with target market indices for each asset type to aid management in evaluating such returns. Furthermore, management regularly reviews the investment policy and may, if deemed appropriate, make changes to the target allocations noted above.

The fair values of the Company's pension plan assets at December 31, 2022 and 2021, by asset category, were as follows:

| | Fair Value Measurement of Plan Assets At December 31, 2022 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (In thousands) | | | |
| Asset category: | | | | |
| Money-market investments | $ 89,829 | $ 52,005 | $ 37,824 | $ — |
| Equity securities: | | | | |
| M&T | 118,285 | 118,285 | — | — |
| Domestic (a) | 449,466 | 449,466 | — | — |
| International (b) | 18,510 | 18,510 | — | — |
| Mutual funds: | | | | |
| Domestic (a) | 279,299 | 279,299 | — | — |
| International (b) | 477,194 | 477,194 | — | — |
| | 1,342,754 | 1,342,754 | — | — |
| Debt securities: | | | | |
| Corporate (c) | 199,728 | — | 199,728 | — |
| Government | 236,199 | — | 236,199 | — |
| International | 14,777 | — | 14,777 | — |
| Mutual funds: | | | | |
| Domestic (d) | 422,615 | 422,615 | — | — |
| | 873,319 | 422,615 | 450,704 | — |
| Other: | | | | |
| Diversified mutual fund | 108,483 | 108,483 | — | — |
| Real estate partnerships | 26,953 | 6,651 | — | 20,302 |
| Private equity / debt | 211,098 | — | — | 211,098 |
| Hedge funds | 276,367 | 108,957 | — | 167,410 |
| Guaranteed deposit fund | 9,601 | — | — | 9,601 |
| | 632,502 | 224,091 | — | 408,411 |
| Total (e) | $ 2,938,404 | $ 2,041,465 | $ 488,528 | $ 408,411 |

| | Fair Value Measurement of Plan Assets At December 31, 2021 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (In thousands) | | | |
| Asset category: | | | | |
| Money-market investments | $ 82,751 | $ 43,616 | $ 39,135 | $ — |
| Equity securities: | | | | |
| M&T | 134,447 | 134,447 | — | — |
| Domestic (a) | 369,283 | 369,283 | — | — |
| International (b) | 14,835 | 14,835 | — | — |
| Mutual funds: | | | | |
| Domestic (a) | 280,347 | 280,347 | — | — |
| International (b) | 461,304 | 461,304 | — | — |
| | 1,260,216 | 1,260,216 | — | — |
| Debt securities: | | | | |
| Corporate (c) | 178,528 | — | 178,528 | — |
| Government | 206,540 | — | 206,540 | — |
| International | 12,933 | — | 12,933 | — |
| Mutual funds: | | | | |
| Domestic (d) | 315,424 | 315,424 | — | — |
| | 713,425 | 315,424 | 398,001 | — |
| Other: | | | | |
| Diversified mutual fund | 108,239 | 108,239 | — | — |
| Real estate partnerships | 16,620 | 5,264 | — | 11,356 |
| Private equity / debt | 151,550 | — | — | 151,550 |
| Hedge funds | 250,691 | 74,599 | — | 176,092 |
| Guaranteed deposit fund | 10,041 | — | — | 10,041 |
| | 537,141 | 188,102 | — | 349,039 |
| Total (e) | $ 2,593,533 | $ 1,807,358 | $ 437,136 | $ 349,039 |

*(a) This category is mainly comprised of equities of companies primarily within the small-cap, mid-cap and large-cap sectors of the U.S. economy and range across diverse industries.*

*(b) This category is comprised of equities in companies primarily within the mid-cap and large-cap sectors of international markets mainly in developed and emerging markets in Europe and the Pacific Rim.*

*(c) This category represents investment grade bonds of U.S. issuers from diverse industries.*

*(d) Approximately 73% of the mutual funds were invested in investment grade bonds and 27% in high-yielding bonds at December 31, 2022. Approximately 72% of the mutual funds were invested in investment grade bonds and 28% in high-yielding bonds at December 31, 2021. The holdings within the funds were spread across diverse industries.*

*(e) Excludes dividends and interest receivable totaling $4 million and $2 million at December 31, 2022 and 2021, respectively.*

Pension plan assets included common stock of M&T with a fair value of $118 million (4% of total plan assets) at December 31, 2022 and $134 million (5% of total plan assets) at December 31, 2021. No investment in securities of a non-U.S. Government or government agency issuer exceeded ten percent of plan assets at December 31, 2022.

The changes in Level 3 pension plan assets measured at estimated fair value on a recurring basis during the year ended December 31, 2022 were as follows:

| | Balance – January 1, 2022 | Net Purchases (Sales) | Total Realized/ Unrealized Gains (Losses) | Balance – December 31, 2022 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Other | | | | |
| Real estate partnerships | $ 11,356 | $ 6,062 | $ 2,884 | $ 20,302 |
| Private equity/debt | 151,550 | 66,393 | (6,845) | 211,098 |
| Hedge funds | 176,092 | (2,714) | (5,968) | 167,410 |
| Guaranteed deposit fund | 10,041 | 819 | (1,259) | 9,601 |
| Total | $ 349,039 | $ 70,560 | $ (11,188) | $ 408,411 |

The Company makes contributions to its funded qualified defined benefit pension plan as required by government regulation or as deemed appropriate by management after considering factors such as the fair value of plan assets, expected returns on such assets and the present value of benefit obligations of the plan. The Company is not required to make contributions to the qualified defined benefit plan in 2023, however, subject to the impact of actual events and circumstances that may occur in 2023, the Company may make contributions, but the amount of any such contributions has not been determined. The Company regularly funds the payment of benefit obligations for the supplemental defined benefit pension and postretirement benefit plans because such plans do not hold assets for investment. Payments made by the Company for supplemental pension benefits were $14 million and $11 million in 2022 and 2021, respectively. Payments made by the Company for postretirement benefits were $3 million and $4 million in 2022 and 2021, respectively. Payments for supplemental pension and other postretirement benefits for 2023 are not expected to differ from those made in 2022 by an amount that will be material to the Company's consolidated financial position.

Estimated benefits expected to be paid in future years related to the Company's defined benefit pension and other postretirement benefits plans are as follows:

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| | (In thousands) | |
| Year ending December 31: | | |
| 2023 | $ 145,705 | $ 3,910 |
| 2024 | 150,676 | 3,925 |
| 2025 | 155,164 | 4,342 |
| 2026 | 158,433 | 4,278 |
| 2027 | 163,737 | 4,226 |
| 2028 through 2032 | 833,186 | 19,943 |

The Company has a retirement savings plan ("RSP") that is a defined contribution plan in which eligible employees of the Company may defer up to 50% of qualified compensation via contributions to the plan. The RSP provides for employer matching contributions of 100% of an employee's qualified compensation up to 5%. Employees' accounts, including employee contributions, employer matching contributions and accumulated earnings thereon, are at all times fully vested and nonforfeitable. Employee benefits expense resulting from the Company's contributions to the RSP totaled $84 million, $63 million and $62 million in 2022, 2021 and 2020, respectively.

## 14. Income taxes

The components of income tax expense were as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (In thousands) | | |
| Current | | | |
| Federal | $ 367,028 | $ 331,714 | $ 267,550 |
| State and local | 143,012 | 85,354 | 98,431 |
| Total current | 510,040 | 417,068 | 365,981 |
| Deferred | | | |
| Federal | (18,444) | 71,880 | (22,894) |
| State and local | (11,543) | 15,279 | (8,397) |
| Total deferred | (29,987) | 87,159 | (31,291) |
| Amortization of investments in qualified affordable housing projects | 139,407 | 92,176 | 81,679 |
| Total income taxes applicable to pre-tax income | $ 619,460 | $ 596,403 | $ 416,369 |

The Company files a consolidated federal income tax return reflecting taxable income earned by all domestic subsidiaries. In prior years, applicable federal tax law allowed certain financial institutions the option of deducting as bad debt expense for tax purposes amounts in excess of actual losses. In accordance with GAAP, such financial institutions were not required to provide deferred income taxes on such excess. Recapture of the excess tax bad debt reserve established under the previously allowed method will result in taxable income if M&T Bank fails to maintain bank status as defined in the Internal Revenue Code or charges are made to the reserve for other than bad debt losses. At December 31, 2022, M&T Bank's tax bad debt reserve for which no federal income taxes have been provided was $137 million. No actions are planned that would cause this reserve to become wholly or partially taxable.

Income taxes attributable to gains or losses on bank investment securities were not material in any of 2022, 2021 and 2020.

Total income taxes differed from the amount computed by applying the statutory federal income tax rate to pre-tax income as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (In thousands) | | |
| Income taxes at statutory federal income tax rate | $ 548,336 | $ 515,581 | $ 371,599 |
| Increase (decrease) in taxes: | | | |
| Tax-exempt income | (37,170) | (20,605) | (22,806) |
| State and local income taxes, net of federal income tax effect | 109,903 | 101,046 | 71,127 |
| Qualified affordable housing project tax credits, net | (22,524) | (14,542) | (14,826) |
| Other | 20,915 | 14,923 | 11,275 |
| | $ 619,460 | $ 596,403 | $ 416,369 |

Deferred tax assets (liabilities) were comprised of the following at December 31:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| | | (In thousands) | |
| Losses on loans and other assets | $ 640,520 | $ 395,784 | $ 471,767 |
| Operating lease liabilities | 182,638 | 110,023 | 121,216 |
| Retirement benefits | — | — | 26,185 |
| Postretirement and other employee benefits | — | 31,760 | 28,004 |
| Incentive and other compensation plans | 33,936 | 24,713 | 18,984 |
| Unrealized losses | 115,024 | — | — |
| Interest on loans | 53,792 | — | — |
| Losses on cash flow hedges | 87,164 | — | — |
| Stock-based compensation | 51,366 | 32,675 | 29,507 |
| Other | 81,498 | 52,351 | 66,763 |
| Gross deferred tax assets | 1,245,938 | 647,306 | 762,426 |
| Right of use assets and other leasing transactions | (367,137) | (249,209) | (285,311) |
| Unrealized gains | — | (27,066) | (50,785) |
| Retirement benefits | (87,486) | (45,402) | — |
| Capitalized servicing rights | (51,273) | (53,219) | (50,235) |
| Postretirement and other employee benefits | (29,230) | — | — |
| Depreciation and amortization | (155,048) | (93,103) | (95,684) |
| Interest on loans | — | (6,690) | (8,113) |
| Gains on cash flow hedges | — | (22,820) | (97,004) |
| Other | (69,314) | (88,053) | (62,581) |
| Gross deferred tax liabilities | (759,488) | (585,562) | (649,713) |
| Net deferred tax asset | $ 486,450 | $ 61,744 | $ 112,713 |

The Company believes that it is more likely than not that the deferred tax assets will be realized through taxable earnings or alternative tax strategies.

The income tax credits shown in the statement of income of M&T in note 26 arise principally from operating losses before dividends from subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

| | Federal, State and Local Tax | Accrued Interest | Unrecognized Income Tax Benefits |
|---|---|---|---|
| | | (In thousands) | |
| Gross unrecognized tax benefits at January 1, 2020 | $ 58,969 | $ 7,199 | $ 66,168 |
| Increases as a result of tax positions taken in prior years | — | 2,800 | 2,800 |
| Decreases as a result of tax positions taken in prior years | (10,107) | (2,384) | (12,491) |
| Gross unrecognized tax benefits at December 31, 2020 | 48,862 | 7,615 | 56,477 |
| Increases as a result of tax positions taken in prior years | — | 2,560 | 2,560 |
| Decreases as a result of tax positions taken in prior years | (11,351) | (2,766) | (14,117) |
| Gross unrecognized tax benefits at December 31, 2021 | 37,511 | 7,409 | 44,920 |
| Increases as a result of tax positions taken in prior years | — | 3,090 | 3,090 |
| Unrecognized tax benefits assumed in a business combination | 3,788 | 1,205 | 4,993 |
| Decreases as a result of tax positions taken in prior years | (11,090) | (3,958) | (15,048) |
| Gross unrecognized tax benefits at December 31, 2022 | $ 30,209 | $ 7,746 | 37,955 |
| Less: Federal, state and local income tax benefits | | | (7,285) |
| Net unrecognized tax benefits at December 31, 2022 that, if recognized, would impact the effective income tax rate | | | $ 30,670 |

The Company's policy is to recognize interest and penalties, if any, related to unrecognized tax benefits in income taxes in the consolidated statement of income. The balance of accrued interest at

December 31, 2022 is included in the table above. The Company's federal, state and local income tax returns are routinely subject to examinations from various governmental taxing authorities. Such examinations may result in challenges to the tax return treatment applied by the Company to specific transactions. Management believes that the assumptions and judgment used to record tax-related assets or liabilities have been appropriate. Should determinations rendered by tax authorities ultimately indicate that management's assumptions were inappropriate, the result and adjustments required could have a material effect on the Company's results of operations. Examinations by the Internal Revenue Service of the Company's federal income tax returns have been largely concluded through 2021, although under statute the income tax returns from 2018 through 2021 could be adjusted. The Company also files income tax returns in over forty states and numerous local jurisdictions. Substantially all material state and local matters have been concluded for years through 2014. It is not reasonably possible to estimate when examinations for any subsequent years will be completed.

## 15. Earnings per common share

The computations of basic earnings per common share follow:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (In thousands, except per share) | | |
| Income available to common shareholders: | | | |
| Net income | $ 1,991,663 | $ 1,858,746 | $ 1,353,152 |
| Less: Preferred stock dividends | (96,587) | (72,915) | (68,228) |
| Net income available to common equity | 1,895,076 | 1,785,831 | 1,284,924 |
| Less: Income attributable to unvested stock-based compensation awards | (3,607) | (8,854) | (5,858) |
| Net income available to common shareholders | $ 1,891,469 | $ 1,776,977 | $ 1,279,066 |
| Weighted-average shares outstanding: | | | |
| Common shares outstanding (including common stock issuable) and unvested stock-based compensation awards | 163,489 | 129,539 | 129,404 |
| Less: Unvested stock-based compensation awards | (315) | (890) | (766) |
| Weighted-average shares outstanding | 163,174 | 128,649 | 128,638 |
| Basic earnings per common share | $ 11.59 | $ 13.81 | $ 9.94 |

The computations of diluted earnings per common share follow:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (In thousands, except per share) | | |
| Net income available to common equity | $ 1,895,076 | $ 1,785,831 | $ 1,284,924 |
| Less: Income attributable to unvested stock-based compensation awards | (3,596) | (8,844) | (5,856) |
| Net income available to common shareholders | $ 1,891,480 | $ 1,776,987 | $ 1,279,068 |
| Adjusted weighted-average shares outstanding: | | | |
| Common and unvested stock-based compensation awards | 163,489 | 129,539 | 129,404 |
| Less: Unvested stock-based compensation awards | (315) | (890) | (766) |
| Plus: Incremental shares from assumed conversion of stock-based compensation awards and warrants to purchase common stock | 856 | 163 | 66 |
| Adjusted weighted-average shares outstanding | 164,030 | 128,812 | 128,704 |
| Diluted earnings per common share | $ 11.53 | $ 13.80 | $ 9.94 |

GAAP defines unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities that shall be included in the computation of earnings per common share pursuant to the two-class method. The Company has issued stock-based compensation awards in the form of restricted stock and restricted stock units, which, in accordance with GAAP, are considered participating securities.

Stock-based compensation awards and warrants to purchase common stock of M&T representing common shares of 453,000 in 2022, 461,000 in 2021 and 474,000 in 2020 were not included in the computations of diluted earnings per common share because the effect on those years would have been antidilutive.

## 16. Comprehensive income

The following tables display the components of other comprehensive income (loss) and amounts reclassified from accumulated other comprehensive income (loss) to net income:

| | Investment Securities | Defined Benefit Plans | Other | Total Amount Before Tax | | Income Tax | Net |
|---|---|---|---|---|---|---|---|
| | | | (In thousands) | | | | |
| Balance — January 1, 2022 | $ 104,691 | $ (360,276) | $ 83,531 | $ (172,054) | | $ 44,476 | $ (127,578) |
| Other comprehensive income before reclassifications: | | | | | | | |
| Unrealized holding losses, net | (550,648) | — | — | (550,648) | | 142,546 | (408,102) |
| Foreign currency translation adjustment | — | — | (7,845) | (7,845) | | 2,058 | (5,787) |
| Unrealized losses on cash flow hedges | — | — | (461,033) | (461,033) | | 119,360 | (341,673) |
| Current year benefit plans gains | — | 71,262 | — | 71,262 | | (18,309) | 52,953 |
| Total other comprehensive income (loss) before reclassifications | (550,648) | 71,262 | (468,878) | (948,264) | | 245,655 | (702,609) |
| Amounts reclassified from accumulated other comprehensive income that (increase) decrease net income: | | | | | | | |
| Amortization of unrealized holding losses on held-to-maturity securities | 1,765 | — | — | 1,765 | (a) | (456) | 1,309 |
| Accretion of net gain on terminated cash flow hedges | — | — | (120) | (120) | (c) | 31 | (89) |
| Net yield adjustment from cash flow hedges currently in effect | — | — | 36,338 | 36,338 | (a) | (9,407) | 26,931 |
| Amortization of prior service credit | — | (2,256) | — | (2,256) | (d) | 579 | (1,677) |
| Amortization of actuarial losses | — | 18,414 | — | 18,414 | (d) | (4,731) | 13,683 |
| Total other comprehensive income (loss) | (548,883) | 87,420 | (432,660) | (894,123) | | 231,671 | (662,452) |
| Balance — December 31, 2022 | $ (444,192) | $ (272,856) | $ (349,129) | $ (1,066,177) | | $ 276,147 | $ (790,030) |
| | | | | | | | |
| Balance — January 1, 2021 | $ 195,386 | $ (650,087) | $ 369,558 | $ (85,143) | | $ 22,111 | $ (63,032) |
| Other comprehensive income before reclassifications: | | | | | | | |
| Unrealized holding losses, net | (95,114) | — | — | (95,114) | | 24,870 | (70,244) |
| Foreign currency translation adjustment | — | — | (1,218) | (1,218) | | 356 | (862) |
| Unrealized losses on cash flow hedges | — | — | (32,292) | (32,292) | | 8,410 | (23,882) |
| Current year benefit plans gains | — | 206,274 | — | 206,274 | | (54,016) | 152,258 |
| Total other comprehensive income (loss) before reclassifications | (95,114) | 206,274 | (33,510) | 77,650 | | (20,380) | 57,270 |
| Amounts reclassified from accumulated other comprehensive income that (increase) decrease net income: | | | | | | | |
| Amortization of unrealized holding losses on held-to-maturity securities | 4,427 | — | — | 4,427 | (a) | (1,154) | 3,273 |
| Gains realized in net income | (8) | — | — | (8) | (b) | 2 | (6) |
| Accretion of net gain on terminated cash flow hedges | — | — | (120) | (120) | (c) | 32 | (88) |
| Net yield adjustment from cash flow hedges currently in effect | — | — | (252,397) | (252,397) | (a) | 65,741 | (186,656) |
| Amortization of prior service credit | — | (4,185) | — | (4,185) | (d) | 1,095 | (3,090) |
| Amortization of actuarial losses | — | 87,722 | — | 87,722 | (d) | (22,971) | 64,751 |
| Total other comprehensive income (loss) | (90,695) | 289,811 | (286,027) | (86,911) | | 22,365 | (64,546) |
| Balance — December 31, 2021 | $ 104,691 | $ (360,276) | $ 83,531 | $ (172,054) | | $ 44,476 | $ (127,578) |

| | Investment Securities | Defined Benefit Plans | Other | Total Amount Before Tax | | Income Tax | Net |
|---|---|---|---|---|---|---|---|
| | | | (In thousands) | | | | |
| Balance — January 1, 2020 | $ 50,701 | $ (464,548) | $ 133,888 | $ (279,959) | | $ 73,279 | $ (206,680) |
| Other comprehensive income before reclassifications: | | | | | | | |
| Unrealized holding gains, net | 141,081 | — | — | 141,081 | | (36,498) | 104,583 |
| Foreign currency translation adjustment | — | — | 2,724 | 2,724 | | (440) | 2,284 |
| Unrealized gains on cash flow hedges | — | — | 505,042 | 505,042 | | (130,432) | 374,610 |
| Current year benefit plans losses | — | (238,218) | — | (238,218) | | 60,208 | (178,010) |
| Total other comprehensive income (loss) before reclassifications | 141,081 | (238,218) | 507,766 | 410,629 | | (107,162) | 303,467 |
| Amounts reclassified from accumulated other comprehensive income that (increase) decrease net income: | | | | | | | |
| Amortization of unrealized holding losses on held-to-maturity securities | 3,606 | — | — | 3,606 | (a) | (966) | 2,640 |
| Gains realized in net income | (2) | — | — | (2) | (b) | 1 | (1) |
| Accretion of net gain on terminated cash flow hedges | — | — | (125) | (125) | (c) | 34 | (91) |
| Net yield adjustment from cash flow hedges currently in effect | — | — | (271,971) | (271,971) | (a) | 70,239 | (201,732) |
| Amortization of prior service credit | — | (4,181) | — | (4,181) | (d) | 1,057 | (3,124) |
| Amortization of actuarial losses | — | 56,860 | — | 56,860 | (d) | (14,371) | 42,489 |
| Total other comprehensive income (loss) | 144,685 | (185,539) | 235,670 | 194,816 | | (51,168) | 143,648 |
| Balance — December 31, 2020 | $ 195,386 | $ (650,087) | $ 369,558 | $ (85,143) | | $ 22,111 | $ (63,032) |

*(a) Included in interest income.*
*(b) Included in gain (loss) on bank investment securities.*
*(c) Included in interest expense.*
*(d) Included in other costs of operations.*

Accumulated other comprehensive income (loss), net consisted of the following:

| | Investment Securities | Defined Benefit Plans | Other | Total |
|---|---|---|---|---|
| | | (In thousands) | | |
| Balance at January 1, 2020 | $ 37,380 | $ (342,419) | $ 98,359 | $ (206,680) |
| Net gain (loss) during 2020 | 107,222 | (138,645) | 175,071 | 143,648 |
| Balance at December 31, 2020 | 144,602 | (481,064) | 273,430 | (63,032) |
| Net gain (loss) during 2021 | (66,977) | 213,919 | (211,488) | (64,546) |
| Balance at December 31, 2021 | 77,625 | (267,145) | 61,942 | (127,578) |
| Net gain (loss) during 2022 | (406,793) | 64,959 | (320,618) | (662,452) |
| Balance at December 31, 2022 | $ (329,168) | $ (202,186) | $ (258,676) | $ (790,030) |

## 17. Other income and other expense

The following items, which exceeded 1% of total interest income and other income in the respective period, were included in either "other revenues from operations" or "other costs of operations" in the consolidated statement of income:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | (In thousands) | |
| Other income: | | | |
| Gain on MTIA divestiture | $ 136,331 | | |
| Credit-related fee income | 129,833 | $ 90,816 | $ 70,387 |
| Credit card interchange fee income | | 69,963 | |
| Merchant discount fee income | | 61,442 | |
| Other expense: | | | |
| Professional services | 469,776 | 348,360 | 240,047 |
| Charitable contributions | 178,137 | | |
| Amortization of capitalized mortgage servicing rights | 96,463 | 89,767 | 84,821 |

## 18. International activities

The Company engages in limited international activities including certain trust-related services in Europe, foreign currency transactions associated with customer activity, providing credit to support the international activities of domestic companies, holding certain loans to foreign borrowers and, prior to June 2021, collecting Eurodollar deposits for a Cayman Islands office. Assets and revenues associated with international activities represent less than 1% of the Company's consolidated assets and revenues. International assets included $319 million and $197 million of loans to foreign borrowers at December 31, 2022 and 2021, respectively. Deposits at M&T Bank's office in Ontario, Canada were $34 million at December 31, 2022 and $32 million at December 31, 2021. Revenues from providing international trust-related services were approximately $36 million in each of 2022 and 2020, compared with $38 million in 2021.

## 19. Derivative financial instruments

As part of managing interest rate risk, the Company enters into interest rate swap agreements to modify the repricing characteristics of certain portions of the Company's portfolios of earning assets and interest-bearing liabilities. The Company designates interest rate swap agreements utilized in the management of interest rate risk as either fair value hedges or cash flow hedges. Interest rate swap agreements are generally entered into with counterparties that meet established credit standards and most contain master netting, collateral and/or settlement provisions protecting the at-risk party. Based on adherence to the Company's credit standards and the presence of the netting, collateral or settlement provisions, the Company believes that the credit risk inherent in these contracts was not material as of December 31, 2022.

The net effect of interest rate swap agreements was to decrease net interest income by $26 million in 2022 and to increase net interest income by $287 million in 2021 and $312 million in 2020.

Information about interest rate swap agreements entered into for interest rate risk management purposes summarized by type of financial instrument the swap agreements were intended to hedge follows:

| | Notional Amount | Average Maturity | Weighted-Average Rate | | Estimated Fair Value Gain (Loss) (a) |
|---|---|---|---|---|---|
| | | | Fixed | Variable | |
| | (In thousands) | (In years) | | | (In thousands) |
| December 31, 2022 | | | | | |
| Fair value hedges: | | | | | |
| Fixed rate long-term borrowings (b) | $ 1,500,000 | 3.3 | 2.98% | 4.52% | $ (833) |
| Cash flow hedges: | | | | | |
| Interest payments on variable rate commercial real estate loans (b) (c) | 15,900,000 | 1.4 | 1.91% | 4.38% | (7,059) |
| Total | $ 17,400,000 | 1.6 | | | $ (7,892) |
| December 31, 2021 | | | | | |
| Fair value hedges: | | | | | |
| Fixed rate long-term borrowings (b) | $ 1,650,000 | 2.3 | 2.86% | 0.74% | $ 41 |
| Cash flow hedges: | | | | | |
| Interest payments on variable rate commercial real estate loans (b) (d) | 21,700,000 | 0.6 | 1.24% | 0.09% | (248) |
| Total | $ 23,350,000 | 0.7 | | | $ (207) |

(a) *Certain clearinghouse exchanges consider payments by counterparties for variation margin on derivative instruments to be settlements of those positions. The impact of such payments for interest rate swap agreements designated as fair value hedges was a net settlement of losses of $65.0 million at December 31, 2022 and a net settlement of gains of $43.5 million at December 31, 2021. The impact of such payments on interest rate swap agreements designated as cash flow hedges was a net settlement of losses of $329.7 million at December 31, 2022 and a net settlement of gains of $88.2 million at December 31, 2021.*

(b) *Under the terms of these agreements, the Company receives settlement amounts at a fixed rate and pays at a variable rate.*

(c) *Includes notional amount and terms of $4.7 billion of forward-starting interest rate swap agreements that become effective in 2023.*

(d) *Includes notional amount and terms of $8.4 billion of forward-starting interest rate swap agreements that became effective in 2022.*

The notional amount of interest rate swap agreements entered into for risk management purposes that were outstanding at December 31, 2022 mature as follows:

| | (In thousands) |
|---|---|
| Year ending December 31: | |
| 2023 | $ 7,350,000 |
| 2025 | 9,050,000 |
| 2027 | 1,000,000 |
| | $ 17,400,000 |

The Company utilizes commitments to sell residential and commercial real estate loans to hedge the exposure to changes in the fair value of real estate loans held for sale. Such commitments have generally been designated as fair value hedges. The Company also utilizes commitments to sell real estate loans to offset the exposure to changes in fair value of certain commitments to originate real estate loans for sale.

Other derivative financial instruments not designated as hedging instruments included interest rate contracts, foreign exchange and other option and futures contracts. Interest rate contracts not designated as hedging instruments had notional values of $45.1 billion and $32.6 billion at December 31, 2022 and 2021, respectively. The notional amounts of foreign currency and other option and futures contracts not designated as hedging instruments aggregated $1.7 billion and $1.1 billion at December 31, 2022 and 2021, respectively.

Information about the fair values of derivative instruments in the Company's consolidated balance sheet and consolidated statement of income follows:

| | Asset Derivatives | | Liability Derivatives | |
|---|---|---|---|---|
| | Fair Value | | Fair Value | |
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| | (In thousands) | | | |
| **Derivatives designated and qualifying as hedging instruments (a)** | | | | |
| Interest rate swap agreements | $ 1,202 | $ 258 | $ 9,094 | $ 465 |
| Commitments to sell real estate loans | 3,037 | 4,044 | 9 | 548 |
| | 4,239 | 4,302 | 9,103 | 1,013 |
| **Derivatives not designated and qualifying as hedging instruments (a)** | | | | |
| Mortgage banking: | | | | |
| Mortgage-related commitments to originate real estate loans for sale | 452 | 11,728 | 46,025 | 5,288 |
| Commitments to sell real estate loans | 51,410 | 8,137 | 14 | 4,108 |
| Other: | | | | |
| Interest rate contracts (b) | 355,806 | 410,056 | 1,278,180 | 76,278 |
| Foreign exchange and other option and futures contracts | 24,062 | 8,230 | 22,004 | 7,156 |
| | 431,730 | 438,151 | 1,346,223 | 92,830 |
| Total derivatives | $ 435,969 | $ 442,453 | $ 1,355,326 | $ 93,843 |

(a) *Asset derivatives are reported in other assets and liability derivatives are reported in other liabilities.*

(b) *The impact of variation margin payments at December 31, 2022 and December 31, 2021 was a reduction of the estimated fair value of interest rate contracts not designated as hedging instruments in an asset position of $1.1 billion and $54.4 million, respectively, and in a liability position of $29.2 million and $305.1 million, respectively.*

| | Amount of Gain (Loss) Recognized | | | | | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, 2022 | | Year Ended December 31, 2021 | | Year Ended December 31, 2020 | |
| | Derivative | Hedged Item | Derivative | Hedged Item | Derivative | Hedged Item |
| | (In thousands) | | | | | |
| **Derivatives in fair value hedging relationships** | | | | | | |
| Interest rate swap agreements: | | | | | | |
| Fixed rate long-term borrowings (a) | $(109,319) | $108,920 | $ (58,599) | $ 57,716 | $ 57,611 | $ (57,686) |
| **Derivatives not designated as hedging instruments** | | | | | | |
| Interest rate contracts (b) | $ 27,391 | | $ 11,486 | | $ 27,734 | |
| Foreign exchange and other option and futures contracts (b) | 14,284 | | 9,064 | | 7,363 | |
| Total | $ 41,675 | | $ 20,550 | | $ 35,097 | |

(a) *Reported as an adjustment to interest expense.*
(b) *Reported as trading account and non-hedging derivative gains.*

| | Carrying Amount of the Hedged Item | | Cumulative Amount of Fair Value Hedging Adjustment Increasing (Decreasing) the Carrying Amount of the Hedged Item | |
|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| | (In thousands) | | | |
| **Location in the Consolidated Balance Sheet of the Hedged Items in Fair Value Hedges** | | | | |
| Long-term debt | $ 1,433,731 | $ 1,692,943 | $ (65,310) | $ 43,610 |

The amount of interest income recognized in the consolidated statement of income associated with derivatives designated as cash flow hedges was a decrease of $36 million for 2022 and an increase of $252 million for 2021. As of December 31, 2022, the unrealized loss recognized in other comprehensive income related to cash flow hedges was $337 million, of which $33 million and $304 million relate to interest rate swap agreements maturing in 2023 and 2025, respectively.

The Company also has commitments to sell and commitments to originate residential and commercial real estate loans that are considered derivatives. The Company designates certain of the commitments to sell real estate loans as fair value hedges of real estate loans held for sale. The Company also utilizes commitments to sell real estate loans to offset the exposure to changes in the fair value of certain commitments to originate real estate loans for sale. As a result of these activities, net unrealized pre-tax gains related to hedged loans held for sale, commitments to originate loans for sale and commitments to sell loans were approximately $8 million and $24 million at December 31, 2022 and 2021, respectively. Changes in unrealized gains and losses are included in mortgage banking revenues and, in general, are realized in subsequent periods as the related loans are sold and commitments satisfied.

The Company does not offset derivative asset and liability positions in its consolidated financial statements. The Company's exposure to credit risk by entering into derivative contracts is mitigated through master netting agreements and collateral posting or settlement requirements. Master netting agreements covering interest rate and foreign exchange contracts with the same party include a right to set-off that becomes enforceable in the event of default, early termination or under other specific conditions.

The aggregate fair value of derivative financial instruments in a liability position, which are subject to enforceable master netting arrangements, was less than $1 million and $35 million at December 31, 2022 and 2021, respectively. The Company was required to post $33 million as collateral as of December 31, 2021. No collateral was posted for those positions at December 31, 2022. Certain of the Company's derivative financial instruments contain provisions that require the Company to maintain specific credit ratings from credit rating agencies to avoid higher collateral posting requirements. If the Company's debt ratings were to fall below specified ratings, the counterparties of the derivative financial instruments could demand immediate incremental collateralization on those instruments in a net liability position. The aggregate fair value of all derivative financial instruments with such credit risk-related contingent features in a net liability position on December 31, 2022 was not material.

The aggregate fair value of derivative financial instruments in an asset position with counterparties, which are subject to enforceable master netting arrangements, was $314 million and $7 million at December 31, 2022 and 2021, respectively. Counterparties posted collateral relating to those positions of $312 million and $6 million at December 31, 2022 and 2021, respectively. Interest rate swap agreements entered into with customers are subject to the Company's credit risk standards and often contain collateral provisions.

In addition to the derivative contracts noted above, the Company clears certain derivative transactions through a clearinghouse, rather than directly with counterparties. Those transactions cleared through a clearinghouse require initial margin collateral and variation margin payments depending on the contracts being in a net asset or liability position. The amount of initial margin collateral posted by the Company was $205 million and $132 million at December 31, 2022 and 2021, respectively. The fair value asset and liability amounts of derivative contracts have been reduced by variation margin payments treated as settlements as described herein. Variation margin on derivative contracts not treated as settlements continues to represent collateral posted or received by the Company.

**20. Variable interest entities and asset securitizations**

The Company's securitization activity has consisted of securitizing loans originated for sale into government issued or guaranteed mortgage-backed securities. The Company has not recognized any losses as a result of having securitized assets.

As described in note 9, M&T has issued junior subordinated debentures payable to various trusts that have issued Capital Securities. M&T owns the common securities of those trust entities. The Company is not considered to be the primary beneficiary of those entities and, accordingly, the trusts are not included in the Company's consolidated financial statements. At each of December 31, 2022 and 2021, the Company included the junior subordinated debentures as "long-term borrowings" in its consolidated balance sheet and recognized $22 million and $23 million, respectively, in other assets for its "investment" in the common securities of the trusts that will be concomitantly repaid to M&T by the respective trust from the proceeds of M&T's repayment of the junior subordinated debentures associated with preferred capital securities described in note 9.

The Company has invested as a limited partner in various partnerships that collectively had total assets of approximately $9.2 billion at December 31, 2022 and $3.0 billion at December 31, 2021. Those partnerships generally construct or acquire properties for which the investing partners are eligible to receive certain federal income tax credits in accordance with government guidelines. Such investments may also provide tax deductible losses to the partners. The partnership investments also assist the Company in achieving its community reinvestment initiatives. As a limited partner, there is no recourse to the Company by creditors of the partnerships. However, the tax credits that result from the Company's investments in such partnerships are generally subject to recapture should a partnership fail to comply with the respective government regulations. The Company's carrying amount of its investments in such partnerships was $1.5 billion, including $545 million of unfunded commitments, at December 31, 2022 and $933 million, including $361 million of unfunded commitments, at December 31, 2021. Contingent commitments to provide additional capital contributions to these partnerships were not material at December 31, 2022. The Company has not provided financial or other support to the partnerships that was not contractually required. The Company's maximum exposure to loss from its investments in such partnerships as of December 31, 2022 was $1.9 billion, including possible recapture of certain tax credits. Management currently estimates that no material losses are probable as a result of the Company's involvement with such entities. The Company, in its position as limited partner, does not direct the activities that most significantly impact the economic performance of the partnerships and, therefore, in accordance with the accounting provisions for variable interest entities, the partnership entities are not included in the Company's consolidated financial statements. The Company's investment in qualified affordable housing projects is amortized to income taxes in the consolidated statement of income as tax credits and other tax benefits resulting from deductible losses associated with the projects are received.

The Company serves as investment advisor for certain registered money-market funds. The Company has no explicit arrangement to provide support to those funds, but may waive portions of its allowable management fees as a result of market conditions.

## 21. Fair value measurements

GAAP permits an entity to choose to measure eligible financial instruments and other items at fair value. The Company has not made any fair value elections at December 31, 2022.

Pursuant to GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy exists in GAAP for fair value measurements based upon the inputs to the valuation of an asset or liability.

- Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 — Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.
- Level 3 — Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company's own estimates about the assumptions that market participants would use to value the asset or liability.

When available, the Company attempts to use quoted market prices in active markets to determine fair value and classifies such items as Level 1 or Level 2. If quoted market prices in active markets are not available, fair value is often determined using model-based techniques incorporating various assumptions including interest rates, prepayment speeds and credit losses. Assets and liabilities valued using model-based techniques are classified as either Level 2 or Level 3, depending on the lowest level classification of an input that is considered significant to the overall valuation. The following is a description of the valuation methodologies used for the Company's assets and liabilities that are measured on a recurring basis at estimated fair value.

### *Trading account*

Mutual funds held in connection with deferred compensation and other arrangements have been classified as Level 1 valuations. Valuations of investments in municipal and other bonds can generally be obtained through reference to quoted prices in less active markets for the same or similar securities or through model-based techniques in which all significant inputs are observable and, therefore, such valuations have been classified as Level 2.

***Investment securities available for sale and equity securities***
The majority of the Company's available-for-sale investment securities have been valued by reference to prices for similar securities or through model-based techniques in which all significant inputs are observable and, therefore, such valuations have been classified as Level 2. Certain investments in mutual funds and equity securities are actively traded and, therefore, have been classified as Level 1 valuations.

***Real estate loans held for sale***
The Company utilizes commitments to sell real estate loans to hedge the exposure to changes in fair value of real estate loans held for sale. The carrying value of hedged real estate loans held for sale includes changes in estimated fair value during the hedge period. Typically, the Company attempts to hedge real estate loans held for sale from the date of close through the sale date. The fair value of hedged real estate loans held for sale is generally calculated by reference to quoted prices in secondary markets for commitments to sell real estate loans with similar characteristics and, accordingly, such loans have been classified as a Level 2 valuation.

***Commitments to originate real estate loans for sale and commitments to sell real estate loans***
The Company enters into various commitments to originate real estate loans for sale and commitments to sell real estate loans. Such commitments are accounted for as derivative financial instruments and, therefore, are carried at estimated fair value on the consolidated balance sheet. The estimated fair values of such commitments were generally calculated by reference to quoted prices in secondary markets for commitments to sell real estate loans to certain government-sponsored entities and other parties. The fair valuations of commitments to sell real estate loans generally result in a Level 2 classification. The estimated fair value of commitments to originate real estate loans for sale is adjusted to reflect the Company's anticipated commitment expirations. The estimated commitment expirations are considered significant unobservable inputs contributing to the Level 3 classification of commitments to originate real estate loans for sale. Significant unobservable inputs used in the determination of estimated fair value of commitments to originate real estate loans for sale are included in the accompanying table of significant unobservable inputs to Level 3 measurements.

***Interest rate swap agreements used for interest rate risk management***
The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of its portfolios of earning assets and interest-bearing liabilities. The Company generally determines the fair value of its interest rate swap agreements using externally developed pricing models based on market observable inputs and, therefore, classifies such valuations as Level 2. The Company has considered counterparty credit risk in the valuation of its interest rate swap agreement assets and has considered its own credit risk in the valuation of its interest rate swap agreement liabilities.

***Other non-hedging derivatives***
Other non-hedging derivatives consist primarily of interest rate contracts and foreign exchange contracts with customers who require such services with offsetting positions with third parties to minimize the Company's risk with respect to such transactions. The Company generally determines the fair value of its other non-hedging derivative assets and liabilities using externally developed pricing models based on market observable inputs and, therefore, classifies such valuations as Level 2.

The following tables present assets and liabilities at December 31, 2022 and 2021 measured at estimated fair value on a recurring basis:

| | Fair Value Measurements | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | | (In thousands) | | |
| December 31, 2022 | | | | |
| Trading account | $ 117,847 | $ 117,847 | $ — | $ — |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | 7,670,960 | — | 7,670,960 | — |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed | | | | |
| Commercial | 574,299 | — | 574,299 | — |
| Residential | 2,330,118 | — | 2,330,118 | — |
| Other debt securities | 173,584 | — | 173,584 | — |
| | 10,748,961 | — | 10,748,961 | — |
| Equity securities | 151,458 | 145,289 | 6,169 | — |
| Real estate loans held for sale | 162,393 | — | 162,393 | — |
| Other assets (a) | 435,969 | — | 435,517 | 452 |
| Total assets | $11,616,628 | $ 263,136 | $11,353,040 | $ 452 |
| Other liabilities (a) | 1,355,326 | — | 1,309,301 | 46,025 |
| Total liabilities | $ 1,355,326 | $ — | $ 1,309,301 | $ 46,025 |
| December 31, 2021 | | | | |
| Trading account | $ 49,745 | $ 49,545 | $ 200 | $ — |
| Investment securities available for sale: | | | | |
| U.S. Treasury and federal agencies | 678,690 | — | 678,690 | — |
| Mortgage-backed securities: | | | | |
| Government issued or guaranteed | | | | |
| Residential | 3,155,312 | — | 3,155,312 | — |
| Other debt securities | 121,802 | — | 121,802 | — |
| | 3,955,804 | — | 3,955,804 | — |
| Equity securities | 77,640 | 68,850 | 8,790 | — |
| Real estate loans held for sale | 899,282 | — | 899,282 | — |
| Other assets (a) | 442,453 | — | 430,725 | 11,728 |
| Total assets | $ 5,424,924 | $ 118,395 | $ 5,294,801 | $ 11,728 |
| Other liabilities (a) | 93,843 | — | 88,555 | 5,288 |
| Total liabilities | $ 93,843 | $ — | $ 88,555 | $ 5,288 |

*(a) Comprised predominantly of interest rate swap agreements used for interest rate risk management (Level 2), interest rate and foreign exchange contracts not designated as hedging instruments (Level 2), commitments to sell real estate loans (Level 2) and commitments to originate real estate loans to be held for sale (Level 3).*

The changes in Level 3 assets and liabilities measured at estimated fair value on a recurring basis during the years ended December 31, 2022, 2021 and 2020 were as follows:

| | Investment Securities Available for Sale — Privately Issued Mortgage-Backed Securities | Other Assets and Other Liabilities | |
|---|---|---|---|
| | (In thousands) | | |
| **2022** | | | |
| Balance — January 1, 2022 | $ — | $ 6,440 | |
| Total gains realized/unrealized: | | | |
| Included in earnings | — | (34,396) | (a) |
| Transfers out of Level 3 | — | (17,617) | (b) |
| Balance — December 31, 2022 | $ — | $ (45,573) | |
| Changes in unrealized gains included in earnings related to assets still held at December 31, 2022 | $ — | $ (45,758) | (a) |
| **2021** | | | |
| Balance — January 1, 2021 | $ 16 | $ 43,234 | |
| Total gains realized/unrealized: | | | |
| Included in earnings | — | 126,223 | (a) |
| Settlements | (16) | — | |
| Transfers out of Level 3 | — | (163,017) | (b) |
| Balance — December 31, 2021 | $ — | $ 6,440 | |
| Changes in unrealized gains included in earnings related to assets still held at December 31, 2021 | $ — | $ 8,619 | (a) |
| **2020** | | | |
| Balance — January 1, 2020 | $ 16 | $ 10,740 | |
| Total gains realized/unrealized: | | | |
| Included in earnings | — | 194,469 | (a) |
| Transfers out of Level 3 | — | (161,975) | (b) |
| Balance — December 31, 2020 | $ 16 | $ 43,234 | |
| Changes in unrealized gains included in earnings related to assets still held at December 31, 2020 | $ — | $ 42,597 | (a) |

(a) *Reported as mortgage banking revenues in the consolidated statement of income and includes the fair value of commitment issuances and expirations.*
(b) *Transfers out of Level 3 consist of interest rate locks transferred to closed loans.*

The Company is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair value measurements. The more significant of those assets follow.

***Loans***

Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectable portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Real estate collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace and the related nonrecurring fair value measurement adjustments have generally been classified as Level 2, unless significant adjustments have been made to the valuation that are not readily observable by market participants. Non-real estate collateral supporting commercial loans generally consists of business assets such as receivables, inventory and equipment. Fair value estimations are typically determined by discounting recorded values of those assets to reflect estimated net realizable value considering specific borrower facts and circumstances and the experience of credit personnel in their dealings with similar borrower collateral liquidations. Such discounts were generally in the range of 15% to 90% with a weighted-average of 39% at December 31, 2022. As these discounts are not readily observable and are considered significant, the valuations have been classified as Level 3. Automobile collateral is typically valued by reference to independent pricing sources based on recent sales transactions of similar vehicles and the related nonrecurring fair value measurement adjustments have been classified as Level 2. Collateral values for other consumer installment loans are generally estimated based on historical recovery rates for similar types of loans, which at December 31, 2022 was 62%. As these recovery rates are not readily observable by market participants, such valuation adjustments have been classified as Level 3. Loans subject to nonrecurring fair value measurement were $853 million at December 31, 2022 ($329 million and $524 million of which were classified as Level 2 and Level 3, respectively), $574 million at December 31, 2021 ($340 million and $234 million of which were classified as Level 2 and Level 3, respectively), and $652 million at December 31, 2020 ($339 million and $313 million of which were classified as Level 2 and Level 3, respectively). Changes in fair value recognized during the years ended December 31, 2022, 2021 and 2020 for partial charge-offs of loans and loan impairment reserves on loans held by the Company at the end of each of those years were decreases of $191 million, $53 million and $222 million, respectively.

***Assets taken in foreclosure of defaulted loans***

Assets taken in foreclosure of defaulted loans are primarily comprised of commercial and residential real property and are generally measured at the lower of cost or fair value less costs to sell. The fair value of the real property is generally determined using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace, and the related nonrecurring fair value measurement adjustments have generally been classified as Level 2. Assets taken in foreclosure of defaulted loans subject to nonrecurring fair value measurement were not material at December 31, 2022 and December 31, 2021. Changes in fair value recognized during the years ended December 31, 2022, 2021 and 2020 for foreclosed assets held by the Company at the end of each of those years were not material.

***Capitalized servicing rights***

Capitalized servicing rights are initially measured at fair value in the Company's consolidated balance sheet. The Company utilizes the amortization method to subsequently measure its capitalized servicing assets. In accordance with GAAP, the Company must record impairment charges, on a nonrecurring basis, when the carrying value of certain strata exceed their estimated fair value. To estimate the fair value of servicing rights, the Company considers market prices for similar assets, if available, and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. Such assumptions include estimates of the cost of servicing loans, loan default rates, an appropriate discount rate and prepayment speeds. For purposes of evaluating and measuring impairment of capitalized servicing rights, the Company stratifies such assets based on the predominant risk characteristics of the underlying financial instruments that are expected to have the most impact on projected prepayments, cost of servicing and other factors affecting future cash flows associated with the servicing rights. Such factors may include financial asset or loan type, note rate and term. The amount of impairment recognized is the amount by which the carrying value of the capitalized servicing rights for a stratum exceed estimated fair value. Impairment is recognized through a valuation allowance. The determination of fair value of capitalized servicing rights is considered a Level 3 valuation. Capitalized servicing rights related to residential mortgage loans of $138 million required a valuation allowance of $24 million at December 31, 2021. There was no valuation allowance required at December 31, 2022. Significant unobservable inputs used in this Level 3 valuation included weighted-average prepayment speeds of 14.64% and a weighted-average option-adjusted spread of 900 basis points at December 31, 2021. Changes in fair value recognized for impairment of capitalized servicing rights were decreases in the valuation allowance of $24 million in 2022 and $6 million in 2021, compared with an increase of $23 million in 2020.

***Significant unobservable inputs to Level 3 measurements***

The following tables present quantitative information about significant unobservable inputs used in the fair value measurements for Level 3 assets and liabilities at December 31, 2022 and 2021:

| | Fair Value (In thousands) | Valuation Technique | Unobservable Inputs / Assumptions | Range (Weighted-Average) |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Recurring fair value measurements | | | | |
| Net other assets (liabilities) (a) | $ (45,573) | Discounted cash flow | Commitment expirations | 0% - 97% (3%) |
| December 31, 2021 | | | | |
| Recurring fair value measurements | | | | |
| Net other assets (liabilities) (a) | $ 6,440 | Discounted cash flow | Commitment expirations | 0% - 80% (10%) |

*(a) Other Level 3 assets (liabilities) consist of commitments to originate real estate loans.*

***Sensitivity of fair value measurements to changes in unobservable inputs***

An increase (decrease) in the estimate of expirations for commitments to originate real estate loans would generally result in a lower (higher) fair value measurement. Estimated commitment expirations are derived considering loan type, changes in interest rates and remaining length of time until closing.

***Disclosures of fair value of financial instruments***

The carrying amounts and estimated fair value for financial instrument assets (liabilities) are presented in the following tables:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 1,517,244 | 1,517,244 | 1,371,688 | 145,556 | — |
| Interest-bearing deposits at banks | 24,958,719 | 24,958,719 | — | 24,958,719 | — |
| Federal funds sold | 3,000 | 3,000 | — | 3,000 | — |
| Trading account | 117,847 | 117,847 | 117,847 | — | — |
| Investment securities | 25,210,871 | 24,056,322 | 145,289 | 23,860,445 | 50,588 |
| Loans and leases: | | | | | |
| Commercial loans and leases | 41,850,566 | 41,139,985 | — | — | 41,139,985 |
| Commercial real estate loans | 45,364,571 | 43,214,646 | — | 130,652 | 43,083,994 |
| Residential real estate loans | 23,755,947 | 21,780,214 | — | 7,049,540 | 14,730,674 |
| Consumer loans | 20,593,079 | 20,093,523 | — | — | 20,093,523 |
| Allowance for credit losses | (1,925,331) | — | — | — | — |
| Loans and leases, net | 129,638,832 | 126,228,368 | — | 7,180,192 | 119,048,176 |
| Accrued interest receivable | 646,250 | 646,250 | — | 646,250 | — |
| Financial liabilities: | | | | | |
| Noninterest-bearing deposits | $ (65,501,860) | (65,501,860) | — | (65,501,860) | — |
| Savings and interest-checking deposits | (87,911,463) | (87,911,463) | — | (87,911,463) | — |
| Time deposits | (10,101,545) | (10,143,110) | — | (10,143,110) | — |
| Short-term borrowings | (3,554,951) | (3,554,951) | — | (3,554,951) | — |
| Long-term borrowings | (3,964,537) | (3,926,489) | — | (3,926,489) | — |
| Accrued interest payable | (81,356) | (81,356) | — | (81,356) | — |
| Other financial instruments: | | | | | |
| Commitments to originate real estate loans for sale | $ (45,573) | (45,573) | — | — | (45,573) |
| Commitments to sell real estate loans | 54,424 | 54,424 | — | 54,424 | — |
| Other credit-related commitments | (148,772) | (148,772) | — | — | (148,772) |
| Interest rate swap agreements used for interest rate risk management | (7,892) | (7,892) | — | (7,892) | — |
| Interest rate and foreign exchange contracts not designated as hedging instruments | (920,316) | (920,316) | — | (920,316) | — |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $ 1,337,577 | 1,337,577 | 1,205,269 | 132,308 | — |
| Interest-bearing deposits at banks | 41,872,304 | 41,872,304 | — | 41,872,304 | — |
| Trading account | 49,745 | 49,745 | 49,545 | 200 | — |
| Investment securities | 7,155,860 | 7,192,476 | 68,850 | 7,066,293 | 57,333 |
| Loans and leases: | | | | | |
| Commercial loans and leases | 23,473,324 | 23,285,224 | — | — | 23,285,224 |
| Commercial real estate loans | 35,389,730 | 34,730,191 | — | 425,010 | 34,305,181 |
| Residential real estate loans | 16,074,445 | 16,160,799 | — | 4,524,018 | 11,636,781 |
| Consumer loans | 17,974,953 | 18,121,363 | — | — | 18,121,363 |
| Allowance for credit losses | (1,469,226) | — | — | — | — |
| Loans and leases, net | 91,443,226 | 92,297,577 | — | 4,949,028 | 87,348,549 |
| Accrued interest receivable | 335,162 | 335,162 | — | 335,162 | — |
| Financial liabilities: | | | | | |
| Noninterest-bearing deposits | $(60,131,480) | (60,131,480) | — | (60,131,480) | — |
| Savings and interest-checking deposits | (68,603,966) | (68,603,966) | — | (68,603,966) | — |
| Time deposits | (2,807,963) | (2,810,143) | — | (2,810,143) | — |
| Short-term borrowings | (47,046) | (47,046) | — | (47,046) | — |
| Long-term borrowings | (3,485,369) | (3,562,223) | — | (3,562,223) | — |
| Accrued interest payable | (40,866) | (40,866) | — | (40,866) | — |
| Other financial instruments: | | | | | |
| Commitments to originate real estate loans for sale | $ 6,440 | 6,440 | — | — | 6,440 |
| Commitments to sell real estate loans | 7,525 | 7,525 | — | 7,525 | — |
| Other credit-related commitments | (123,032) | (123,032) | — | — | (123,032) |
| Interest rate swap agreements used for interest rate risk management | (207) | (207) | — | (207) | — |
| Interest rate and foreign exchange contracts not designated as hedging instruments | 334,852 | 334,852 | — | 334,852 | — |

With the exception of marketable securities, certain off-balance sheet financial instruments and mortgage loans originated for sale, the Company's financial instruments are not readily marketable and market prices do not exist. The Company, in attempting to comply with the provisions of GAAP that require disclosures of fair value of financial instruments, has not attempted to market its financial instruments to potential buyers, if any exist. Since negotiated prices in illiquid markets depend greatly upon the then present motivations of the buyer and seller, it is reasonable to assume that actual sales prices could vary widely from any estimate of fair value made without the benefit of negotiations. Additionally, changes in market interest rates can dramatically impact the value of financial instruments in a short period of time.

The Company does not believe that the estimated information presented herein is representative of the earnings power or value of the Company. The preceding analysis, which is inherently limited in depicting fair value, also does not consider any value associated with existing customer relationships nor the ability of the Company to create value through loan origination, deposit gathering or fee generating activities. Many of the estimates presented herein are based upon the use of highly subjective information and assumptions and, accordingly, the results may not be precise. Management believes that fair value estimates may not be comparable between financial institutions due to the wide range of permitted valuation techniques and numerous estimates which must be made. Furthermore, because the disclosed fair value amounts were estimated as of the balance sheet date, the amounts actually realized or paid upon maturity or settlement of the various financial instruments could be significantly different.

## 22. Commitments and contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. The following table presents the Company's significant commitments. Certain of these commitments are not included in the Company's consolidated balance sheet.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (In thousands) | |
| Commitments to extend credit | | |
| Home equity lines of credit | $ 8,261,560 | $ 5,693,045 |
| Commercial real estate loans to be sold | 348,701 | 324,943 |
| Other commercial real estate | 5,776,116 | 4,998,631 |
| Residential real estate loans to be sold | 31,208 | 233,257 |
| Other residential real estate | 505,121 | 924,211 |
| Commercial and other | 32,625,840 | 22,145,057 |
| Standby letters of credit | 2,376,644 | 2,151,595 |
| Commercial letters of credit | 65,066 | 31,981 |
| Financial guarantees and indemnification contracts | 4,022,432 | 4,211,797 |
| Commitments to sell real estate loans | 533,458 | 1,367,523 |

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. In addition to the amounts presented in the preceding table, the Company had discretionary funding commitments to commercial customers of $11.7 billion and $10.8 billion at December 31, 2022 and 2021, respectively, that the Company had the unconditional right to cancel prior to funding. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, whereas commercial letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and a third party. The credit risk associated with commitments to extend credit and standby and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Financial guarantees and indemnification contracts are predominantly comprised of recourse obligations associated with sold loans and other guarantees and commitments. Included in financial guarantees and indemnification contracts are loan principal amounts sold with recourse in conjunction with the Company's involvement in the Fannie Mae Delegated Underwriting and Servicing program. The Company's maximum credit risk for recourse associated with loans sold under this program totaled approximately $3.9 billion and $4.0 billion at December 31, 2022 and December 31, 2021, respectively. At December 31, 2022, the Company estimated that the recourse obligations described above were not material to the Company's consolidated financial position. There have been no material losses incurred as a result of those credit recourse arrangements.

Since many loan commitments, standby letters of credit, and guarantees and indemnification contracts expire without being funded in whole or in part, the contract amounts are not necessarily indicative of future cash flows.

The Company utilizes commitments to sell real estate loans to hedge exposure to changes in the fair value of real estate loans held for sale. Such commitments are accounted for as derivatives and along with commitments to originate real estate loans to be held for sale are recorded in the consolidated balance sheet at estimated fair market value.

The Company is contractually obligated to repurchase previously sold residential real estate loans that do not ultimately meet investor sale criteria related to underwriting procedures or loan documentation. When required to do so, the Company may reimburse loan purchasers for losses incurred or may repurchase certain loans. The Company reduces residential mortgage banking revenues by an estimate for losses related to its obligations to loan purchasers. The amount of those charges is based on the volume of loans sold, the level of reimbursement requests received from loan purchasers and estimates of losses that may be associated with previously sold loans. At December 31, 2022, the Company believes that its obligation to loan purchasers was not material to the Company's consolidated financial position.

M&T and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings and other matters in which claims for monetary damages are asserted. On an on-going basis management, after consultation with legal counsel, assesses the Company's liabilities and contingencies in connection with such proceedings. For those matters where it is probable that the Company will incur losses and the amounts of the losses can be reasonably estimated, the Company records an expense and corresponding liability in its consolidated financial statements. To the extent the pending or threatened litigation could result in exposure in excess of that liability, the amount of such excess is not currently estimable. Although not considered probable, the range of reasonably possible losses for such matters in the aggregate, beyond the existing recorded liability, was between $0 and $25 million at December 31, 2022. Although the Company does not believe that the outcome of pending litigations will be material to the Company's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future.

## 23. Segment information

Reportable segments have been determined based upon the Company's internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The reportable segments are Business Banking, Commercial Banking, Commercial Real Estate, Discretionary Portfolio, Residential Mortgage Banking and Retail Banking.

The financial information of the Company's segments was compiled utilizing the accounting policies described in note 1 with certain exceptions. The more significant of these exceptions are described herein. The Company allocates interest income or interest expense using a methodology that charges users of funds (assets) interest expense and credits providers of funds (liabilities) with income based on the maturity, prepayment and/or repricing characteristics of the assets and liabilities. A provision for credit losses is allocated to segments in an amount based largely on actual net charge-offs incurred by the segment during the period plus or minus an amount necessary to adjust the segment's allowance for credit losses due to changes in loan balances. In contrast, the level of the consolidated provision for credit losses is determined using the methodologies described in notes 1 and 5. The net effects of these allocations are recorded in the "All Other" category. Indirect fixed and variable expenses incurred by certain centralized support areas are allocated to segments based on actual usage (for example, volume measurements) and other criteria. Certain types of administrative expenses and bankwide expense accruals (including amortization of core deposit and other intangible assets associated with acquisitions of financial institutions) are generally not allocated to segments. Income taxes are allocated to segments based on the Company's marginal statutory tax rate adjusted for any tax-exempt income or non-deductible expenses. Equity is allocated to the segments based on regulatory capital requirements and in proportion to an assessment of the inherent risks associated with the business of the segment (including interest, credit and operating risk).

The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to GAAP. As a result, reported segment results are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. The Company continues to evaluate its indirect fixed and variable expenses included within the "All Other" category to determine if the expenses may be allocated to the Company's various segments to support strategic business decisions by the Company's executive leadership. As a result, in 2022 the Company performed the following: an allocation of incentive compensation; a refinement of consumption-driven services allocations including cybersecurity and modeling functions; an expanded allocation of franchise-type services such as risk management, data services and legal services; and a refinement in allocation of technology application costs in support of business activities. Additionally, certain lending relationships within the hospitality sector that had previously received oversight within the Commercial Banking segment were realigned to the Commercial Real Estate segment. Accordingly, financial information presented herein for 2021 and 2020 has been reclassified to provide segment information on a comparable basis, as noted in the following tables.

| | For the Year Ended December 31, 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Interest Income as Previously Reported | Impact of Changes | Net Interest Income as Reclassified | Provision for Credit Losses as Previously Reported | Impact of Changes | Provision for Credit Losses as Reclassified | Other Noninterest Expense as Previously Reported | Impact of Changes | Other Noninterest Expense as Reclassified | Net Income (Loss) as Previously Reported | Impact of Changes | Net Income (Loss) as Reclassified |
| | (In thousands) | | | | | | | | | | | |
| Business Banking | $ 518,940 | — | 518,940 | $ 10,928 | — | 10,928 | $ 341,751 | 8,514 | 350,265 | $ 213,464 | (6,316) | 207,148 |
| Commercial Banking | 854,264 | (21,605) | 832,659 | 101,060 | (42,996) | 58,064 | 384,505 | 7,063 | 391,568 | 493,723 | 5,279 | 499,002 |
| Commercial Real Estate | 643,415 | 21,605 | 665,020 | 67,405 | 42,996 | 110,401 | 276,791 | 12,235 | 289,026 | 372,326 | (18,684) | 353,642 |
| Discretionary Portfolio | 483,624 | — | 483,624 | 3,622 | — | 3,622 | 64,122 | 2,368 | 66,490 | 288,766 | (1,757) | 287,009 |
| Residential Mortgage Banking | 92,706 | — | 92,706 | (562) | — | (562) | 332,491 | 5,907 | 338,398 | 172,960 | (4,292) | 168,668 |
| Retail Banking | 1,125,953 | — | 1,125,953 | 55,692 | — | 55,692 | 804,762 | 24,120 | 828,882 | 341,486 | (17,893) | 323,593 |
| All Other | 105,876 | — | 105,876 | (313,145) | — | (313,145) | 1,082,993 | (60,207) | 1,022,786 | (23,979) | 43,663 | 19,684 |
| Total | $3,824,778 | — | 3,824,778 | $ (75,000) | — | (75,000) | $ 3,287,415 | — | 3,287,415 | $1,858,746 | — | 1,858,746 |

| | For the Year Ended December 31, 2020 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Interest Income as Previously Reported | Impact of Changes | Net Interest Income as Reclassified | Provision for Credit Losses as Previously Reported | Impact of Changes | Provision for Credit Losses as Reclassified | Other Noninterest Expense as Previously Reported | Impact of Changes | Other Noninterest Expense as Reclassified | Net Income (Loss) as Previously Reported | Impact of Changes | Net Income (Loss) as Reclassified |
| | (In thousands) | | | | | | | | | | | |
| Business Banking | $ 462,614 | — | 462,614 | $ 25,928 | — | 25,928 | $ 322,868 | 6,455 | 329,323 | $ 159,220 | (4,765) | 154,455 |
| Commercial Banking | 864,149 | (36,509) | 827,640 | 73,099 | (4,867) | 68,232 | 375,769 | 7,053 | 382,822 | 508,472 | (32,799) | 475,673 |
| Commercial Real Estate | 673,894 | 36,509 | 710,403 | 107,210 | 4,867 | 112,077 | 256,428 | 12,099 | 268,527 | 381,828 | 18,625 | 400,453 |
| Discretionary Portfolio | 486,831 | — | 486,831 | 1,508 | — | 1,508 | 54,339 | 8,516 | 62,855 | 327,291 | (6,290) | 321,001 |
| Residential Mortgage Banking | 52,712 | — | 52,712 | 1,785 | — | 1,785 | 332,028 | 6,361 | 338,389 | 133,652 | (4,700) | 128,952 |
| Retail Banking | 1,204,309 | — | 1,204,309 | 108,268 | — | 108,268 | 764,262 | 45,407 | 809,669 | 365,261 | (33,531) | 331,730 |
| All Other | 121,808 | — | 121,808 | 482,202 | — | 482,202 | 959,258 | (85,891) | 873,367 | (522,572) | 63,460 | (459,112) |
| Total | $3,866,317 | — | 3,866,317 | $ 800,000 | — | 800,000 | $ 3,064,952 | — | 3,064,952 | $1,353,152 | — | 1,353,152 |

Information about the Company's segments is presented in the accompanying table. Income statement amounts are in thousands of dollars. Balance sheet amounts are in millions of dollars.

For the Years Ended December 31, 2022, 2021 and 2020

| | Business Banking | | | Commercial Banking | | | Commercial Real Estate | | | Discretionary Portfolio | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Net interest income (a) | $712,207 | $518,940 | $462,614 | $1,338,552 | $ 832,659 | $ 827,640 | $ 736,791 | $ 665,020 | $ 710,403 | $ 163,695 | $ 483,624 | $ 486,831 |
| Noninterest income (b) | 150,298 | 123,854 | 103,837 | 406,708 | 294,172 | 270,772 | 207,280 | 226,991 | 214,386 | (69,077) | (38,638) | (1,735) |
| | 862,505 | 642,794 | 566,451 | 1,745,260 | 1,126,831 | 1,098,412 | 944,071 | 892,011 | 924,789 | 94,618 | 444,986 | 485,096 |
| Provision for credit losses | 17,154 | 10,928 | 25,928 | 72,200 | 58,064 | 68,232 | (5,621) | 110,401 | 112,077 | 5,156 | 3,622 | 1,508 |
| Amortization of core deposit and other intangible assets | — | — | — | — | — | — | — | 1,060 | 1,060 | — | — | — |
| Depreciation and other amortization | 1,097 | 1,106 | 1,482 | 5,638 | 2,362 | 2,421 | 32,900 | 35,623 | 28,187 | 111 | 194 | 285 |
| Other noninterest expense | 421,052 | 350,265 | 329,323 | 667,282 | 391,568 | 382,822 | 343,205 | 289,026 | 268,527 | 77,996 | 66,490 | 62,855 |
| Income (loss) before taxes | 423,202 | 280,495 | 209,718 | 1,000,140 | 674,837 | 644,937 | 573,587 | 455,901 | 514,938 | 11,355 | 374,680 | 420,448 |
| Income tax expense (benefit) | 110,575 | 73,347 | 55,263 | 270,323 | 175,835 | 169,264 | 127,604 | 102,259 | 114,485 | (5,181) | 87,671 | 99,447 |
| Net income (loss) | $312,627 | $207,148 | $154,455 | $ 729,817 | $ 499,002 | $ 475,673 | $ 445,983 | $ 353,642 | $ 400,453 | $ 16,536 | $ 287,009 | $ 321,001 |
| Average total assets (in millions) (b) | $ 7,597 | $ 8,007 | $ 8,152 | $ 40,930 | $ 27,096 | $ 28,958 | $ 30,599 | $ 27,091 | $ 27,172 | $ 42,657 | $ 22,262 | $ 27,726 |
| Capital expenditures (in millions) | $ — | $ 1 | $ — | $ 1 | $ 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

| | Residential Mortgage Banking | | | Retail Banking | | | All Other | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Net interest income (a) | $ 41,137 | $ 92,706 | $ 52,712 | $1,998,501 | $1,125,953 | $1,204,309 | $ 831,073 | $ 105,876 | $ 121,808 | $5,821,956 | $3,824,778 | $3,866,317 |
| Noninterest income (b) | 391,127 | 523,765 | 515,549 | 307,178 | 290,610 | 260,163 | 963,089 | 746,240 | 725,472 | 2,356,603 | 2,166,994 | 2,088,444 |
| | 432,264 | 616,471 | 568,261 | 2,305,679 | 1,416,563 | 1,464,472 | 1,794,162 | 852,116 | 847,280 | 8,178,559 | 5,991,772 | 5,954,761 |
| Provision for credit losses | (1,569) | (562) | 1,785 | 79,921 | 55,692 | 108,268 | 349,759 | (313,145) | 482,202 | 517,000 | (75,000) | 800,000 |
| Amortization of core deposit and other intangible assets | — | — | — | — | — | — | 55,624 | 9,107 | 13,809 | 55,624 | 10,167 | 14,869 |
| Depreciation and other amortization | 67,994 | 57,716 | 60,129 | 130,407 | 93,159 | 95,936 | 140,372 | 123,881 | 116,979 | 378,519 | 314,041 | 305,419 |
| Other noninterest expense | 343,947 | 338,398 | 338,389 | 1,240,805 | 828,882 | 809,669 | 1,522,006 | 1,022,786 | 873,367 | 4,616,293 | 3,287,415 | 3,064,952 |
| Income (loss) before taxes | 21,892 | 220,919 | 167,958 | 854,546 | 438,830 | 450,599 | (273,599) | 9,487 | (639,077) | 2,611,123 | 2,455,149 | 1,769,521 |
| Income tax expense (benefit) | 964 | 52,251 | 39,006 | 223,722 | 115,237 | 118,869 | (108,547) | (10,197) | (179,965) | 619,460 | 596,403 | 416,369 |
| Net income (loss) | $ 20,928 | $168,668 | $128,952 | $ 630,824 | $ 323,593 | $ 331,730 | $ (165,052) | $ 19,684 | $(459,112) | $1,991,663 | $1,858,746 | $1,353,152 |
| Average total assets (in millions) (b) | $ 3,986 | $ 6,463 | $ 4,038 | $ 20,312 | $ 17,897 | $ 16,438 | $ 44,171 | $ 43,853 | $ 22,996 | $ 190,252 | $ 152,669 | $ 135,480 |
| Capital expenditures (in millions) | $ — | $ 1 | $ — | $ 122 | $ 53 | $ 34 | $ 91 | $ 93 | $ 138 | $ 214 | $ 149 | $ 172 |

(a) *Net interest income is the difference between actual taxable-equivalent interest earned on assets and interest paid on liabilities by a segment and a funding charge (credit) based on the Company's internal funds transfer pricing methodology. Segments are charged a cost to fund any assets (e.g. loans) and are paid a funding credit for any funds provided (e.g. deposits). The taxable-equivalent adjustment aggregated $39,172,000 in 2022 , $14,731,000 in 2021 and $17,288,000 in 2020 and is eliminated in "All Other" net interest income and income tax expense (benefit).*

(b) *Alignment of segment business activity also resulted in a reclassification of noninterest income from the Commercial Banking segment to the Commercial Real Estate segment of $8.8 million in 2021 and $6.0 million in 2020. Average total assets reclassified from the Commercial Banking segment to the Commercial Real Estate segment relating to lending relationships in the hospitality sector totaled $1.46 billion and $1.38 billion in 2021 and 2020, respectively.*

The Business Banking segment provides deposit, lending, cash management and other financial services to small businesses and professionals through the Company's banking office network and several other delivery channels, including business banking centers, telephone banking, Internet banking and automated teller machines. The Commercial Banking segment provides a wide range of credit products and banking services to middle-market and large commercial customers, mainly within the markets the Company serves. Among the services provided by this segment are commercial lending and leasing, letters of credit, deposit products and cash management services. The Commercial Real Estate segment provides credit services which are secured by various types of multifamily residential and commercial real estate and deposit services to its customers. Activities of this segment include the origination, sales and servicing of commercial real estate loans. Commercial real estate loans held for sale are included in the Commercial Real Estate Segment. The Discretionary Portfolio segment includes securities; residential real estate loans and other assets; short-term and long-term borrowed funds; brokered deposits; and, through June 2021, Cayman Islands branch deposits. This segment also provides foreign exchange services to customers. The Residential Mortgage Banking segment originates and services residential real estate loans for consumers and sells substantially all originated loans in the secondary market to investors or to the Discretionary Portfolio segment. The segment periodically purchases servicing rights to loans that have been originated by other entities. Residential real estate loans held for sale are included in the Residential Mortgage Banking segment. The Retail Banking segment offers a variety of services to consumers through several delivery channels that include banking offices, automated teller machines, and telephone, mobile and Internet banking. The "All Other" category includes other operating activities of the Company that are not directly attributable to the reported segments; the difference between the provision for credit losses and the calculated provision allocated to the reportable segments; goodwill and core deposit and other intangible assets resulting from acquisitions of financial institutions; merger-related gains and expenses resulting from acquisitions; the net impact of the Company's internal funds transfer pricing methodology; eliminations of transactions between reportable segments; certain nonrecurring transactions; and the residual effects of unallocated support systems and general and administrative expenses.

The amount of intersegment activity eliminated in arriving at consolidated totals was included in the "All Other" category as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | (In thousands) | |
| Revenues | $ (52,865) | $ (55,556) | $ (47,604) |
| Expenses | (15,273) | (13,599) | (14,038) |
| Income taxes | (9,736) | (10,846) | (8,824) |
| Net income | (27,856) | (31,111) | (24,742) |

The Company conducts substantially all of its operations in the United States. There are no transactions with a single customer that in the aggregate result in revenues that exceed ten percent of consolidated total revenues.

## 24. Regulatory matters

Payment of dividends by M&T's banking subsidiaries is restricted by various legal and regulatory limitations. Dividends from any banking subsidiary to M&T are limited by the amount of earnings of the banking subsidiary in the current year and the preceding two years. For purposes of this test, at December 31, 2022, approximately $1.07 billion was available for payment of dividends to M&T from banking subsidiaries. M&T may pay dividends and repurchase stock only in accordance with a capital plan that the Federal Reserve Board has not objected to.

Banking regulations prohibit extensions of credit by the subsidiary banks to M&T unless appropriately secured by assets. Securities of affiliates are not eligible as collateral for this purpose.

M&T and its subsidiary banks are required to comply with applicable capital adequacy regulations established by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Pursuant to the rules in effect as of December 31, 2022, the required minimum and well capitalized capital ratios are as follows:

| | Minimum | Well Capitalized |
|---|---|---|
| **M&T (Consolidated)** | | |
| Common equity Tier 1 ("CET1") to risk-weighted assets | 4.5% | |
| Tier 1 capital to risk-weighted assets | 6.0% | 6.0% |
| Total capital to risk-weighted assets | 8.0% | 10.0% |
| Leverage — Tier 1 capital to average total assets, as defined | 4.0% | |

| | Minimum | Well Capitalized |
|---|---|---|
| **Bank Subsidiaries** | | |
| CET1 to risk-weighted assets | 4.5% | 6.5% |
| Tier 1 capital to risk-weighted assets | 6.0% | 8.0% |
| Total capital to risk-weighted assets | 8.0% | 10.0% |
| Leverage — Tier 1 capital to average total assets, as defined | 4.0% | 5.0% |

Capital regulations require buffers in addition to the minimum risk-based capital ratios noted above. M&T is subject to a stress capital buffer requirement that is determined through the Federal Reserve's supervisory stress tests and M&T's bank subsidiaries are subject to a 2.5% capital conservation buffer requirement. The buffer requirement must be composed entirely of CET1 and for each entity was 2.5% of risk-weighted assets through September 30, 2022. In June 2022, the Federal Reserve released the results of its most recent supervisory stress tests. Based on those results, on October 1, 2022, M&T's stress capital buffer of 4.7% became effective.

The capital ratios and amounts of the Company and its banking subsidiaries as of December 31, 2022 and 2021 are presented below:

| | M&T (Consolidated) | M&T Bank | Wilmington Trust, N.A. |
|---|---|---|---|
| | | (Dollars in thousands) | |
| December 31, 2022: | | | |
| CET1 capital | | | |
| Amount | $ 15,562,037 | $ 16,673,578 | $ 585,968 |
| Ratio(a) | 10.44% | 11.23% | 254.50% |
| Tier 1 capital | | | |
| Amount | 17,572,586 | 16,673,578 | 585,968 |
| Ratio(a) | 11.79% | 11.23% | 254.50% |
| Total capital | | | |
| Amount | 20,259,735 | 18,887,691 | 586,879 |
| Ratio(a) | 13.60% | 12.72% | 254.90% |
| Leverage | | | |
| Amount | 17,572,586 | 16,673,578 | 585,968 |
| Ratio(b) | 9.23% | 8.77% | 85.73% |
| December 31, 2021: | | | |
| CET1 capital | | | |
| Amount | $ 11,844,833 | $ 12,378,354 | $ 779,521 |
| Ratio(a) | 11.42% | 11.98% | 31.22% |
| Tier 1 capital | | | |
| Amount | 13,594,782 | 12,378,354 | 779,521 |
| Ratio(a) | 13.11% | 11.98% | 31.22% |
| Total capital | | | |
| Amount | 15,902,833 | 14,170,434 | 780,791 |
| Ratio(a) | 15.33% | 13.71% | 31.27% |
| Leverage | | | |
| Amount | 13,594,782 | 12,378,354 | 779,521 |
| Ratio(b) | 8.87% | 8.11% | 6.23% |

*(a) The ratio of capital to risk-weighted assets, as defined by regulation.*
*(b) The ratio of capital to average assets, as defined by regulation.*

**25. Relationship with Bayview Lending Group LLC and Bayview Financial Holdings, L.P.**

M&T holds a 20% minority interest in Bayview Lending Group LLC ("BLG"), a privately-held commercial mortgage company. That investment had no remaining carrying value at December 31, 2022 as a result of cumulative losses recognized and cash distributions received in prior years. Cash distributions now received from BLG are recognized as income by M&T and included in other revenues from operations. That income totaled $30 million in each of 2022 and 2021, compared with $53 million in 2020.

Bayview Financial Holdings, L.P. (together with its affiliates, "Bayview Financial"), a privately-held specialty financial company, is BLG's majority investor. In addition to their common investment in BLG, the Company and Bayview Financial conduct other business activities with each other. The Company has obtained loan servicing rights for mortgage loans from BLG and Bayview Financial having outstanding principal balances of $1.4 billion and $1.6 billion at December 31, 2022 and 2021, respectively. Revenues from those servicing rights were $8 million, $9 million and $10 million during 2022, 2021 and 2020, respectively. The Company sub-services residential mortgage loans for Bayview

Financial having outstanding principal balances of $96.0 billion and $74.7 billion at December 31, 2022 and 2021, respectively. Revenues earned for sub-servicing loans for Bayview Financial were $154 million, $153 million and $129 million in 2022, 2021 and 2020, respectively. In addition, the Company held $50 million and $62 million of mortgage-backed securities in its held-to-maturity portfolio at December 31, 2022 and 2021, respectively, that were securitized by Bayview Financial. At December 31, 2022, the Company held $368 million of Bayview Financial's $2.3 billion syndicated loan facility. In 2021 the Company purchased $965 million of delinquent FHA guaranteed mortgage loans, including past due accrued interest, from Bayview Financial for $1.0 billion. The servicing rights for such loans were retained by Bayview Financial, but the Company continues to sub-service the loans.

## 26. Parent company financial statements

### Condensed Balance Sheet

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| **Assets** | | |
| Cash in subsidiary bank | $ 130,311 | $ 92,836 |
| Due from consolidated bank subsidiaries: | | |
| Money-market savings | 1,690,157 | 1,335,857 |
| Current income tax receivable | 3,501 | 754 |
| Total due from consolidated bank subsidiaries | 1,693,658 | 1,336,611 |
| Investments in consolidated subsidiaries: | | |
| Banks | 25,005,239 | 17,533,772 |
| Other | 379,906 | 220,496 |
| Investments in trust preferred entities (note 20) | 22,457 | 22,672 |
| Other assets | 92,802 | 98,010 |
| Total assets | $ 27,324,373 | $ 19,304,397 |
| **Liabilities** | | |
| Accrued expenses and other liabilities | $ 172,001 | $ 103,242 |
| Long-term borrowings | 1,834,382 | 1,297,750 |
| Total liabilities | 2,006,383 | 1,400,992 |
| **Shareholders' equity** | 25,317,990 | 17,903,405 |
| Total liabilities and shareholders' equity | $ 27,324,373 | $ 19,304,397 |

**Condensed Statement of Income**

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (In thousands, except per share) | | |
| **Income** | | | |
| Dividends from consolidated subsidiaries | $ 2,508,083 | $ 1,025,000 | $ 708,500 |
| Income from Bayview Lending Group LLC | 30,000 | 30,000 | 52,940 |
| Other income | (6,952) | 2,530 | 5,110 |
| Total income | 2,531,131 | 1,057,530 | 766,550 |
| **Expense** | | | |
| Interest on short-term borrowings | 6,024 | - | - |
| Interest on long-term borrowings | 57,565 | 24,073 | 31,924 |
| Other expense | 50,016 | 35,406 | 33,704 |
| Total expense | 113,605 | 59,479 | 65,628 |
| Income before income taxes and equity in undistributed income of subsidiaries | 2,417,526 | 998,051 | 700,922 |
| Income tax credits | 22,477 | 6,052 | 1,984 |
| *Income before equity in undistributed income of subsidiaries* | 2,440,003 | 1,004,103 | 702,906 |
| **Equity in undistributed income of subsidiaries** | | | |
| Net income of subsidiaries | 2,059,743 | 1,879,643 | 1,358,746 |
| Less: dividends received | (2,508,083) | (1,025,000) | (708,500) |
| Equity in undistributed income of subsidiaries | (448,340) | 854,643 | 650,246 |
| *Net income* | $ 1,991,663 | $ 1,858,746 | $1,353,152 |
| **Net income per common share** | | | |
| Basic | $ 11.59 | $ 13.81 | $ 9.94 |
| Diluted | 11.53 | 13.80 | 9.94 |

**Condensed Statement of Cash Flows**

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | | (In thousands) | |
| **Cash flows from operating activities** | | | |
| Net income | $ 1,991,663 | $1,858,746 | $ 1,353,152 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in undistributed income of subsidiaries | 448,340 | (854,643) | (650,246) |
| Provision for deferred income taxes | 7,487 | 10,356 | 1,079 |
| Net change in accrued income and expense | 7,742 | (23,047) | (24,206) |
| Net cash provided by operating activities | 2,455,232 | 991,412 | 679,779 |
| **Cash flows from investing activities** | | | |
| Net investment in consolidated subsidiaries | 53,958 | (199,000) | 125,654 |
| Acquisition, net of cash consideration | 537,978 | — | — |
| Other, net | 24,401 | (2,777) | 50,396 |
| Net cash provided (used) by investing activities | 616,337 | (201,777) | 176,050 |
| **Cash flows from financing activities** | | | |
| Repayment of short-term borrowings assumed in acquisition | (500,000) | — | — |
| Proceeds from long-term borrowings | 499,250 | — | — |
| Purchases of treasury stock | (1,800,000) | — | (373,750) |
| Dividends paid — common | (784,089) | (580,260) | (568,112) |
| Dividends paid — preferred | (96,927) | (68,200) | (68,256) |
| Proceeds from issuance of Series I preferred stock | — | 495,000 | — |
| Other, net | 1,972 | (7,551) | (5,992) |
| Net cash used by financing activities | (2,679,794) | (161,011) | (1,016,110) |
| Net increase (decrease) in cash and cash equivalents | 391,775 | 628,624 | (160,281) |
| Cash and cash equivalents at beginning of year | 1,428,693 | 800,069 | 960,350 |
| Cash and cash equivalents at end of year | $ 1,820,468 | $1,428,693 | $ 800,069 |
| **Supplemental disclosure of cash flow information** | | | |
| Interest received during the year | $ 1,332 | $ 1,165 | $ 1,493 |
| Interest paid during the year | 49,419 | 20,457 | 30,913 |
| Income taxes received during the year | 28,153 | 53,067 | 11,528 |

## 27. Recent accounting developments

The following table provides a description of accounting standards that were adopted by the Company in 2022 as well as standards that are not effective that could have an impact to M&T's consolidated financial statements upon adoption.

| Standard | Description | Required date of adoption | Effect on consolidated financial statements |
|---|---|---|---|
| **Standards Adopted in 2022** | | | |
| Changes to Accounting for Convertible Instruments and Contracts in an Entity's Own Equity | The amendments reduce the number of accounting models for convertible debt instruments and convertible preferred stock. The amendments also reduce form-over-substance-based guidance for the derivatives scope exception for contracts in an entity's own equity. | January 1, 2022 | At January 1, 2022 the Company did not have the types of instruments affected by the amended guidance and, therefore, the adoption had no impact on its consolidated financial statements. |
| Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options | The amendments clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. | January 1, 2022 | At January 1, 2022 the Company did not have the types of instruments affected by the amended guidance and, therefore, the adoption had no impact on its consolidated financial statements. |
| Lessor's Accounting for Certain Leases with Variable Lease Payments | The amendments update the classification guidance for lessors. Under the amended guidance lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met:<br>1. The lease would have been classified as a sales-type lease or a direct financing lease.<br>2. The lessor would have otherwise recognized a day-one loss.<br>When a lease is classified as operating, the lessor does not recognize a net investment in the lease, does not derecognize the underlying asset, and, therefore, does not recognize a selling profit or loss. | January 1, 2022 | The Company adopted the amended guidance effective January 1, 2022 using a prospective transition method. The adoption did not have a material impact on the Company's consolidated financial statements. |

| Standard | Description | Required date of adoption | Effect on consolidated financial statements |
|---|---|---|---|
| **Standards Not Yet Adopted as of December 31, 2022** | | | |
| Accounting for Contract Assets and Contract Liabilities from Contracts with Customers in a Business Combination | The amendments require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with specified revenue recognition guidance. At the acquisition date, an acquirer should account for the related revenue contracts as if it had originated the contracts and may assess how the acquiree applied the revenue guidance to determine what to record for such contracts. The guidance is generally expected to result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements. | January 1, 2023<br><br>Early adoption permitted | The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. However, if early adoption is elected, the amendments should be applied (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application.<br><br>The Company does not expect the guidance will have a material impact on its consolidated financial statements. |
| Fair Value Hedging of Multiple Hedge Layers under Portfolio Layer Method | The amendments allow multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. If multiple hedged layers are designated, the amendments require an analysis to be performed to support the expectation that the aggregate amount of the hedged layers is anticipated to be outstanding for the designated hedge periods. Only closed portfolios may be hedged under the portfolio layer method (that is, no assets can be added to the closed portfolio once established), however designating new hedging relationships and dedesignating existing hedging relationships associated with the closed portfolio any time after the closed portfolio is established is permitted. | January 1, 2023<br><br>Early adoption permitted | The amendments should be applied on a modified retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings on the initial application date.<br><br>The Company does not expect the guidance will have a material impact on its consolidated financial statements. |
| Accounting for Troubled Debt Restructurings (TDRs) and Expansion of Vintage Disclosures Applicable to Credit Losses | The amendments (1) eliminate the accounting guidance for TDRs and require enhanced disclosure for certain loan refinancings by creditors when a borrower is experiencing financial difficulty and (2) require disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases within credit loss disclosures. | January 1, 2023<br><br>Early adoption permitted | The amendments should be applied prospectively, except for the amendments related to the recognition and measurement of TDRs for which an option is permitted to apply a modified retrospective transition method.<br><br>Under the amended guidance the Company will no longer be required to identify TDRs and apply specialized accounting to such loans. The Company does not expect the guidance will have a material impact on its consolidated financial statements outside of the modified disclosure requirements. |
| Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions | The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. In addition, the amendments require the following disclosures for equity securities subject to contractual sale restrictions:<br>1. The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet;<br>2. The nature and remaining duration of the restriction(s); and<br>3. The circumstances that could cause a lapse in the restriction(s). | January 1, 2024<br><br>Early adoption permitted | The amendments should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption.<br><br>The Company does not expect the guidance will have a material impact on its consolidated financial statements. |

**Item 9.** ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 9A.** ***Controls and Procedures.***

(a) Evaluation of disclosure controls and procedures. Based upon their evaluation of the effectiveness of M&T's disclosure controls and procedures (as defined in Exchange Act rules 13a-15(e) and 15d-15(e)), René F. Jones, Chairman of the Board and Chief Executive Officer, and Darren J. King, Senior Executive Vice President and Chief Financial Officer, concluded that M&T's disclosure controls and procedures were effective as of December 31, 2022.

(b) Management's annual report on internal control over financial reporting. Included under the heading "Report on Internal Control Over Financial Reporting" at Item 8 of this Annual Report on Form 10-K.

(c) Attestation report of the registered public accounting firm. Included under the heading "Report of Independent Registered Public Accounting Firm" at Item 8 of this Annual Report on Form 10-K.

(d) Changes in internal control over financial reporting. M&T regularly assesses the adequacy of its internal control over financial reporting and enhances its controls in response to internal control assessments and internal and external audit and regulatory recommendations. No changes in internal control over financial reporting have been identified in connection with the evaluation of disclosure controls and procedures during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, M&T's internal control over financial reporting. Management has excluded processes and controls of People's United that have not yet been converted to M&T's systems or processes from its assessment of internal control over financial reporting for the year ended December 31, 2022. Assets and liabilities associated with those processes and procedures as of December 31, 2022 include loans and leases of $5.8 billion, other assets of $107 million and other liabilities of $184 million. Approximately $280 million of total revenues for the nine months ended December 31, 2022 was contributed from business activities of People's United that have not yet been converted to M&T's systems or processes.

**Item 9B.** ***Other Information.***

None.

**Item 9C.** ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.***

None.

## PART III

**Item 10.** ***Directors, Executive Officers and Corporate Governance.***

The information required to be furnished pursuant to Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be included in M&T's Proxy Statement for the 2023 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of 2022 (the "2023 Proxy Statement"). The information concerning M&T's directors will appear under the caption "NOMINEES FOR DIRECTOR" in the 2023 Proxy Statement. The information concerning M&T's Code of Ethics for CEO and Senior Financial Officers will appear under the caption "CORPORATE GOVERNANCE OF M&T BANK CORPORATION" in the 2023

Proxy Statement. The information regarding the procedures by which shareholders can recommend director nominees as well as M&T's Audit Committee, including "audit committee financial experts," will also appear under the caption "CORPORATE GOVERNANCE OF M&T BANK CORPORATION." The information concerning compliance with Section 16(a) of the Exchange Act will appear, if necessary, under the caption "STOCK OWNERSHIP INFORMATION." Such information is incorporated herein by reference.

The information concerning M&T's executive officers is presented under the caption "Executive Officers of the Registrant" contained in Part I of this Annual Report on Form 10-K.

**Item 11. *Executive Compensation.***

The information required to be furnished pursuant to Items 402 and 407(e)(4) and (e)(5) of Regulation S-K will appear under the captions "COMPENSATION DISCUSSION AND ANALYSIS," "EXECUTIVE COMPENSATION," "DIRECTOR COMPENSATION," "COMPENSATION AND HUMAN CAPITAL COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION," and "COMPENSATION AND HUMAN CAPITAL COMMITTEE REPORT" in the 2023 Proxy Statement. Such information is incorporated herein by reference.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required to be furnished pursuant to Item 403 of Regulation S-K will appear under the caption "STOCK OWNERSHIP INFORMATION" in the 2023 Proxy Statement. Such information is incorporated herein by reference.

The information required to be furnished pursuant to Item 201(d) concerning equity compensation plans is presented under the caption "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" contained in Part II, Item 5 of this Annual Report on Form 10-K.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence.***

The information required to be furnished pursuant to Items 404 and 407(a) of Regulation S-K will appear under the caption "TRANSACTIONS WITH DIRECTORS AND EXECUTIVE OFFICERS" and "CORPORATE GOVERNANCE OF M&T BANK CORPORATION" in the 2023 Proxy Statement. Such information is incorporated herein by reference.

**Item 14. *Principal Accountant Fees and Services.***

The information required to be furnished by Item 9(e) of Schedule 14A will appear under the caption "PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF M&T BANK CORPORATION FOR THE YEAR ENDING DECEMBER 31, 2023" in the 2023 Proxy Statement. Such information is incorporated herein by reference.

## PART IV

**Item 15.** ***Exhibits and Financial Statement Schedules.***

(a) Financial statements and financial statement schedules filed as part of this Annual Report on Form 10-K. See Part II, Item 8. "Financial Statements and Supplementary Data." Financial statement schedules are not required or are inapplicable, and therefore have been omitted.

(b) Exhibits required by Item 601 of Regulation S-K. The exhibits listed have been previously filed, are filed herewith or are incorporated herein by reference to other filings.

| | |
|---|---|
| 2.1 | Agreement and Plan of Merger dated as of February 21, 2021, by and between M&T Bank Corporation, Bridge Merger Corp. and People's United Financial, Inc. Incorporated by reference to Exhibit 2.1 of M&T Bank Corporation's Form 8-K dated February 25, 2021 (File No. 1-9861). |
| 2.2 | Amendment No. 1 to the Agreement and Plan of Merger, dated February 21, 2021, by and among M&T Bank Corporation, Bridge Merger Corp., a direct, wholly owned subsidiary of M&T Bank Corporation, and People's United Financial, Inc. Incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K of M&T Bank Corporation filed on February 25, 2021. (File No. 1-9861). |
| 3.1 | Restated Certificate of Incorporation of M&T Bank Corporation, effective November 16, 2022. Incorporated by reference to Exhibit 3.1 to the Form 8-K dated November 18, 2022 (File No. 1-9861). |
| 3.2 | Amended and Restated Bylaws of M&T Bank Corporation, effective November 15, 2022. Incorporated by reference to Exhibit 3.2 to the Form 8-K dated November 18, 2022 (File No. 1-9861). |
| 4.1 | There are no instruments with respect to long-term debt of M&T Bank Corporation and its subsidiaries that involve securities authorized under the instrument in an amount exceeding 10 percent of the total assets of M&T Bank Corporation and its subsidiaries on a consolidated basis. M&T Bank Corporation agrees to provide the SEC with a copy of instruments defining the rights of holders of long-term debt of M&T Bank Corporation and its subsidiaries on request. |
| 4.2 | Description of Registrant's Securities. Filed herewith. |
| 10.1 | M&T Bank Corporation Annual Executive Incentive Plan. Incorporated by reference to Exhibit No. 10.3 to the Form 10-Q for the quarter ended June 30, 1998 (File No. 1-9861).* |
| 10.2 | M&T Bank Corporation Supplemental Pension Plan, as amended and restated. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 2016 (File No. 1-9861).* |
| 10.3 | Amendment No. 1 to M&T Bank Corporation Supplemental Pension Plan. Incorporated by reference to Exhibit 10.4 of M&T Bank Corporation's Form 10-K for the year ended December 31, 2018 (File No. 1-9861).* |
| 10.4 | Amendment No. 2 to M&T Bank Corporation Supplemental Pension Plan. Incorporated by reference to Exhibit 10.5 of M&T Bank Corporation's Form 10-K for the year ended December 31, 2018 (File No. 1-9861).* |
| 10.5 | M&T Bank Corporation Supplemental Retirement Savings Plan. Incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended March 31, 2016 (File No. 1-9861).* |

| | |
|---|---|
| 10.6 | Amendment No. 1 to M&T Bank Corporation Supplemental Retirement Plan. Incorporated by reference to Exhibit 10.7 of M&T Bank Corporation's Form 10-K for the year ended December 31, 2018 (File No. 1-9861).* |
| 10.7 | Amendment No. 2 to M&T Bank Corporation Supplemental Retirement Plan. Incorporated by reference to Exhibit 10.8 of M&T Bank Corporation's Form 10-K for the year ended December 31, 2018 (File No. 1-9861).* |
| 10.8 | M&T Bank Corporation Deferred Bonus Plan, as amended and restated. Incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended December 31, 2016 (File No. 1-9861).* |
| 10.9 | M&T Bank Corporation 2019 Equity Incentive Compensation Plan. Incorporated by reference to Appendix A to the Proxy Statement of M&T Bank Corporation dated March 7, 2019 (File No. 1-9861).* |
| 10.10 | M&T Bank Corporation Form of Performance Share Unit Award Agreement. Incorporated by reference to Exhibit 10.1 to M&T Bank Corporation's Form 10-Q for the quarter ended March 31, 2019 (File No. 1-9861).* |
| 10.11 | M&T Bank Corporation Form of Performance Share Unit Award Agreement. Incorporated by reference to Exhibit 10.1 to M&T Bank Corporation's Form 10-Q for the quarter ended March 31, 2020 (File No. 1-9861).* |
| 10.12 | Amendment No. 3 to M&T Bank Corporation Supplemental Pension Plan. Incorporated by reference to Exhibit 10.2 to M&T Bank Corporation's Form 10-Q for the quarter ended March 31, 2020 (File No. 1-9861).* |
| 10.13 | M&T Bank Corporation Leadership Retirement Savings Plan. Incorporated by reference to Exhibit 10.3 to M&T Bank Corporation's Form 10-Q for the quarter ended March 31, 2020 (File No. 1-9861).* |
| 10.14 | M&T Bank Corporation Form of Performance-Hurdled Restricted Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.24 to M&T Bank Corporation's Form 10-K for the year ended December 31, 2020 (File No. 1-9861).* |
| 10.15 | M&T Bank Corporation Form of Stock Option Agreement. Incorporated by reference to Exhibit 10.25 to M&T Bank Corporation's Form 10-K for the year ended December 31, 2020 (File No. 1-9861).* |
| 10.16 | M&T Bank Corporation Form of Directors' Restricted Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.1 to M&T Bank Corporation's Form 10-Q for the quarter ended June 30, 2021 (File No. 1-9861).* |
| 10.17 | M&T Bank Corporation Form of Directors' Restricted Stock Unit Award Agreement (one-year vesting). Filed herewith.* |
| 10.18 | M&T Bank Corporation Voluntary Deferred Compensation Plan for Directors. Incorporated by reference to Exhibit 10.28 to M&T Bank Corporation's Form 10-K for the year ended December 31, 2021. (File No. 1-9861).* |
| 10.19 | Non-Competition and Non-Solicitation Agreement, dated as of February 21, 2021, by and between John P. Barnes and People's United Financial, Inc. Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K of M&T Bank Corporation filed on April 4, 2022. (File No. 1-9861).* |
| 10.20 | Non-Competition and Non-Solicitation Agreement, dated as of February 21, 2021, by and between Kirk W. Walters and People's United Financial, Inc. Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K of M&T Bank Corporation filed on April 4, 2022. (File No. 1-9861).* |
| 10.21 | M&T Bank Corporation Form of Performance Share Unit Award Agreement. Filed herewith.* |

| | |
|---|---|
| 11.1 | Statement re: Computation of Earnings Per Common Share. Incorporated by reference to note 15 of Notes to Financial Statements filed herewith in Part II, Item 8, "Financial Statements and Supplementary Data." |
| 21.1 | Subsidiaries of the Registrant. Incorporated by reference to the caption "Subsidiaries" contained in Part I, Item 1 hereof. |
| 23.1 | Consent of PricewaterhouseCoopers LLP re: Registration Statements on Form S-3 (No. 333-259888) and Form S-8 (Nos.33-32044, 333-43175, 333-16077, 333-40640, 333-84384, 333-127406, 333-150122, 333-164015, 333-163992, 333-160769, 333-159795, 333-170740, 333-189099, 333-184504, 333-189097, 333-184411, 333-231217, 333-254786, 333-264099, 333-254962 and 333-264392). Filed herewith. |
| 31.1 | Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 31.2 | Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 32.1 | Certification of Chief Executive Officer under 18 U.S.C. §1350 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 32.2 | Certification of Chief Financial Officer under 18 U.S.C. §1350 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema. Filed herewith. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase. Filed herewith. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase. Filed herewith. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase. Filed herewith. |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase. Filed herewith. |
| 104 | The cover page from M&T Bank Corporation's Annual Report on Form 10-K for the year ended December 31, 2022 has been formatted in Inline XBRL. |

* *Management contract or compensatory plan or arrangement.*

(c) Additional financial statement schedules. None.

**Item 16. *Form 10-K Summary.***

None.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of February, 2023.

M&T BANK CORPORATION

By: /s/ René F. Jones
René F. Jones
*Chairman of the Board and*
*Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| Principal Executive Officer: | | |
| /s/ René F. Jones<br>René F. Jones | Chairman of the Board and Chief Executive Officer | February 22, 2023 |
| Principal Financial Officer: | | |
| /s/ Darren J. King<br>Darren J. King | Senior Executive Vice President and Chief Financial Officer | February 22, 2023 |
| Principal Accounting Officer: | | |
| /s/ Michael R. Spychala<br>Michael R. Spychala | Executive Vice President and Controller | February 22, 2023 |
| A majority of the board of directors: | | |
| /s/ John P. Barnes<br>John P. Barnes | | February 22, 2023 |
| /s/ Robert T. Brady<br>Robert T. Brady | | February 22, 2023 |
| /s/ Carlton J. Charles<br>Carlton J. Charles | | February 22, 2023 |
| /s/ Jane Chwick<br>Jane Chwick | | February 22, 2023 |

| | |
|---|---|
| /s/ William F. Cruger, Jr.<br>William F. Cruger, Jr. | February 22, 2023 |
| /s/ T. Jefferson Cunningham III<br>T. Jefferson Cunningham III | February 22, 2023 |
| /s/ Gary N. Geisel<br>Gary N. Geisel | February 22, 2023 |
| /s/ Leslie V. Godridge<br>Leslie V. Godridge | February 22, 2023 |
| Richard H. Ledgett, Jr. | February 22, 2023 |
| /s/ Melinda R. Rich<br>Melinda R. Rich | February 22, 2023 |
| /s/ Robert E. Sadler, Jr.<br>Robert E. Sadler, Jr. | February 22, 2023 |
| /s/ Denis J. Salamone<br>Denis J. Salamone | February 22, 2023 |
| /s/ John R. Scannell<br>John R. Scannell | February 22, 2023 |
| /s/ Rudina Seseri<br>Rudina Seseri | February 22, 2023 |
| /s/ Kirk W. Walters<br>Kirk W. Walters | February 22, 2023 |
| /s/ Herbert L. Washington<br>Herbert L. Washington | February 22, 2023 |

# EXHIBIT C

EVERSOURCE

HELP SIGN IN MENU

Residential / About

# About Eversource

## Energy brings us together.

We're New England's largest energy delivery company with 4 million customers in Connecticut, Massachusetts and New Hampshire.

### Our Company

View our service territory, read the latest news, see job opportunities and...

### Sustainability

Learn more about carbon neutrality, offshore wind, electric vehicles and other...

### Reliability

How we make our electric system smarter and more resilient, including vegetation...


### Community

We support our territory in our role as a responsible corporate citizen with grants,...

### Transmission and Distribution

We ensure the grid is ready to meet an increase in demand, while also making...

### Investors

Browse news and information pertinent to shareholders including stock quotes...

## Doing Business With Us

Are you a vendor, builder, contractor, municipal official or someone else who regularly does business with Eversource?

See information needed to do business with us

Mobile Apps

## Residential

- Account & Billing
- Outages & Storms
- Services
- Save Money & Energy
- Safety
- Supplier Options
- Upload Documents

## Our Company

- About
- Service Territory
- Investors
- News
- Diversity, Equity & Inclusion
- Accessibility
- Careers

Contact Us

## Doing Business With Us

- Affiliates
- Energy Suppliers
- Builders & Contractors
- DG, Interconnections & Net Metering
- Municipal & State Officials
- Property Management Gateway
- Procurement
- Real Estate

Sitemap Terms & Conditions

Privacy Policy

# EXHIBIT D

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2023**

or

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

For the transition period from ____________ to ____________

**Registrant; State of Incorporation; Address; Telephone Number;**
**Commission File Number; and I.R.S. Employer Identification No.**

## EVERSOURCE ENERGY

(a Massachusetts voluntary association)
300 Cadwell Drive, Springfield, Massachusetts 01104
Telephone: (800) 286-5000
Commission File Number: 001-05324
I.R.S. Employer Identification No. 04-2147929

## THE CONNECTICUT LIGHT AND POWER COMPANY

(a Connecticut corporation)
107 Selden Street, Berlin, Connecticut 06037-1616
Telephone: (800) 286-5000
Commission File Number: 000-00404
I.R.S. Employer Identification No. 06-0303850

## NSTAR ELECTRIC COMPANY

(a Massachusetts corporation)
800 Boylston Street, Boston, Massachusetts 02199
Telephone: (800) 286-5000
Commission File Number: 001-02301
I.R.S. Employer Identification No. 04-1278810

## PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

(a New Hampshire corporation)
Energy Park
780 North Commercial Street, Manchester, New Hampshire 03101-1134
Telephone: (800) 286-5000
Commission File Number: 001-06392
I.R.S. Employer Identification No. 02-0181050

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Shares, $5.00 par value per share | ES | New York Stock Exchange |

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

| Yes | No |
|---|---|
| ☒ | ☐ |

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

| Yes | No |
|---|---|

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

| Yes | No |
|---|---|
| ☒ | ☐ |

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

| Yes | No |
|---|---|
| ☒ | ☐ |

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Eversource Energy | Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |
| The Connecticut Light and Power Company | Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ | Smaller reporting company | ☐ | Emerging growth company | ☐ |
| NSTAR Electric Company | Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ | Smaller reporting company | ☐ | Emerging growth company | ☐ |
| Public Service Company of New Hampshire | Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ | Smaller reporting company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act):

| | Yes | No |
|---|---|---|
| Eversource Energy | ☐ | ☒ |
| The Connecticut Light and Power Company | ☐ | ☒ |
| NSTAR Electric Company | ☐ | ☒ |
| Public Service Company of New Hampshire | ☐ | ☒ |

The aggregate market value of Eversource Energy's Common Shares, $5.00 par value, held by non-affiliates, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of Eversource Energy's most recently completed second fiscal quarter (June 30, 2023) was $24,734,207,777 based on a closing market price of $70.92 per share for the 348,762,095 common shares outstanding held by non-affiliates on June 30, 2023.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

| Company - Class of Stock | Outstanding as of January 31, 2024 |
|---|---|
| Eversource Energy<br>Common Shares, $5.00 par value | 349,687,183 shares |
| The Connecticut Light and Power Company<br>Common Stock, $10.00 par value | 6,035,205 shares |
| NSTAR Electric Company<br>Common Stock, $1.00 par value | 200 shares |
| Public Service Company of New Hampshire<br>Common Stock, $1.00 par value | 301 shares |

Eversource Energy holds all of the 6,035,205 shares, 200 shares, and 301 shares of the outstanding common stock of The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire, respectively.

The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire each meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K, and each is therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.

Eversource Energy, The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire each separately file this combined Form 10-K. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

*Documents Incorporated by Reference*

Portions of the Eversource Energy and Subsidiaries 2022 combined Annual Report on Form 10-K and portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 1, 2024, are incorporated by reference into Parts II and III of this Report.

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## GLOSSARY OF TERMS

The following is a glossary of abbreviations and acronyms that are found in this report:

| | |
|---|---|
| **Current or former Eversource Energy companies, segments or investments:** | |
| Eversource, ES or the Company | Eversource Energy and subsidiaries |
| Eversource parent or ES parent | Eversource Energy, a public utility holding company |
| ES parent and other companies | ES parent and other companies are comprised of Eversource parent, Eversource Service, and other subsidiaries, which primarily includes our unregulated businesses, HWPCompany , The Rocky River Realty Company (a real estate subsidiary), the consolidated operations of CYAPC and YAEC, and Eversource parent's equity ownership interests that are not consolidated |
| CL&P | The Connecticut Light and Power Company |
| NSTAR Electric | NSTAR Electric Company |
| PSNH | Public Service Company of New Hampshire |
| PSNH Funding | PSNH Funding LLC 3, a bankruptcy remote, special purpose, wholly-owned subsidiary of PSNH |
| NSTAR Gas | NSTAR Gas Company |
| EGMA | Eversource Gas Company of Massachusetts |
| Yankee Gas | Yankee Gas Services Company |
| Aquarion | Aquarion Company and its subsidiaries |
| HEEC | Harbor Electric Energy Company, a wholly-owned subsidiary of NSTAR Electric |
| Eversource Service | Eversource Energy Service Company |
| North East Offshore | North East Offshore, LLC, an offshore wind business being developed jointly by Eversource and Denmark-based Ørsted |
| CYAPC | Connecticut Yankee Atomic Power Company |
| MYAPC | Maine Yankee Atomic Power Company |
| YAEC | Yankee Atomic Electric Company |
| Yankee Companies | CYAPC, YAEC and MYAPC |
| Regulated companies | The Eversource regulated companies are comprised of the electric distribution and transmission businesses of CL&P, NSTAR Electric and PSNH, the natural gas distribution businesses of Yankee Gas, NSTAR Gas and EGMA, Aquarion's water distribution businesses, and the solar power facilities of NSTAR Electric |
| **Regulators and Government Agencies:** | |
| BOEM | U.S. Bureau of Ocean Energy Management |
| DEEP | Connecticut Department of Energy and Environmental Protection |
| DOE | U.S. Department of Energy |
| DOER | Massachusetts Department of Energy Resources |
| DPU | Massachusetts Department of Public Utilities |
| EPA | U.S. Environmental Protection Agency |
| FERC | Federal Energy Regulatory Commission |
| ISO-NE | ISO New England, Inc., the New England Independent System Operator |
| MADEP | Massachusetts Department of Environmental Protection |
| NHPUC | New Hampshire Public Utilities Commission |
| PURA | Connecticut Public Utilities Regulatory Authority |
| SEC | U.S. Securities and Exchange Commission |
| **Other Terms and Abbreviations:** | |
| ADIT | Accumulated Deferred Income Taxes |
| AFUDC | Allowance For Funds Used During Construction |
| AOCI | Accumulated Other Comprehensive Income |
| ARO | Asset Retirement Obligation |
| Bcf | Billion cubic feet |
| CfD | Contract for Differences |
| CWIP | Construction Work in Progress |
| EDC | Electric distribution company |
| EDIT | Excess Deferred Income Taxes |
| EPS | Earnings Per Share |
| ERISA | Employee Retirement Income Security Act of 1974 |

| | |
|---|---|
| ESOP | Employee Stock Ownership Plan |
| Eversource 2022 Form 10-K | The Eversource Energy and Subsidiaries 2022 combined Annual Report on Form 10-K as filed with the SEC |
| Fitch | Fitch Ratings, Inc. |
| FMCC | Federally Mandated Congestion Charge |
| GAAP | Accounting principles generally accepted in the United States of America |
| GWh | Gigawatt-Hours |
| IPP | Independent Power Producers |
| ISO-NE Tariff | ISO-NE FERC Transmission, Markets and Services Tariff |
| kV | Kilovolt |
| kVa | Kilovolt-ampere |
| kW | Kilowatt (equal to one thousand watts) |
| LNG | Liquefied natural gas |
| LPG | Liquefied petroleum gas |
| LRS | Supplier of last resort service |
| MG | Million gallons |
| MGP | Manufactured Gas Plant |
| MMBtu | Million British thermal units |
| MMcf | Million cubic feet |
| Moody's | Moody's Investors Services, Inc. |
| MW | Megawatt |
| MWh | Megawatt-Hours |
| NETOs | New England Transmission Owners (including Eversource, National Grid and Avangrid) |
| OCI | Other Comprehensive Income/(Loss) |
| OREC | Offshore Wind Renewable Energy Certificate |
| PAM | Pension and PBOPRate Adjustment Mechanism |
| PBOP | Postretirement Benefits Other Than Pension |
| PBOPPlan | Postretirement Benefits Other Than Pension Plan |
| Pension Plan | Single uniform noncontributory defined benefit retirement plan |
| PPA | Power purchase agreement |
| PPAM | Pole Plant Adjustment Mechanism |
| RECs | Renewable Energy Certificates |
| Regulatory ROE | The average cost of capital method for calculating the return on equity related to the distribution business segment excluding the wholesale transmission segment |
| ROE | Return on Equity |
| RRBs | Rate Reduction Bonds or Rate Reduction Certificates |
| RSUs | Restricted share units |
| S&P | Standard & Poor's Financial Services LLC |
| SERP | Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans |
| SS | Standard service |
| UI | The United Illuminating Company |
| VIE | Variable Interest Entity |

**EVERSOURCE ENERGY AND SUBSIDIARIES**
**THE CONNECTICUT LIGHT AND POWER COMPANY**
**NSTAR ELECTRIC COMPANY AND SUBSIDIARY**
**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES**

**2023 FORM 10-K ANNUAL REPORT**

**TABLE OF CONTENTS**

**EVERSOURCE ENERGY AND SUBSIDIARIES**
**THE CONNECTICUT LIGHT AND POWER COMPANY**
**NSTAR ELECTRIC COMPANY AND SUBSIDIARY**
**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES**

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

References in this Annual Report on Form 10-K to "Eversource," the "Company," "we," "our," and "us" refer to Eversource Energy and its consolidated subsidiaries. CL&P, NSTAR Electric, and PSNH are each doing business as Eversource Energy.

We make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance or growth and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of U.S. federal securities laws. You can generally identify our forward-looking statements through the use of words or phrases such as "estimate," "expect," "anticipate," "intend," "plan," "project," "believe," "forecast," "would," "should," "could," and other similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results or outcomes to differ materially from those included in our forward-looking statements. Forward-looking statements are based on the current expectations, estimates, assumptions or projections of management and are not guarantees of future performance. These expectations, estimates, assumptions or projections may vary materially from actual results. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that may cause our actual results or outcomes to differ materially from those contained in our forward-looking statements, including, but not limited to:

- cyberattacks or breaches, including those resulting in the compromise of the confidentiality of our proprietary information and the personal information of our customers,
- our ability to complete the offshore wind investments sales process on the timelines, terms and pricing we expect; if we and the counterparties are unable to satisfy all closing conditions and consummate the purchase and sale transactions with respect to our offshore wind assets; if Sunrise Wind does not win in the OREC contract solicitation process; if we are unable to qualify for investment tax credits related to these projects; if we experience variability in the projected construction costs of the offshore wind projects, if there is a deterioration of market conditions in the offshore wind industry; and if the projects do not commence operation as scheduled or within budget or are not completed,
- disruptions in the capital markets or other events that make our access to necessary capital more difficult or costly,
- changes in economic conditions, including impact on interest rates, tax policies, and customer demand and payment ability,
- ability or inability to commence and complete our major strategic development projects and opportunities,
- acts of war or terrorism, physical attacks or grid disturbances that may damage and disrupt our electric transmission and electric, natural gas, and water distribution systems,
- actions or inaction of local, state and federal regulatory, public policy and taxing bodies,
- substandard performance of third-party suppliers and service providers,
- fluctuations in weather patterns, including extreme weather due to climate change,
- changes in business conditions, which could include disruptive technology or development of alternative energy sources related to our current or future business model,
- contamination of, or disruption in, our water supplies,
- changes in levels or timing of capital expenditures,
- changes in laws, regulations or regulatory policy, including compliance with environmental laws and regulations,
- changes in accounting standards and financial reporting regulations,
- actions of rating agencies, and
- other presently unknown or unforeseen factors.

Other risk factors are detailed in our reports filed with the SEC and are updated as necessary and available on our website at www.eversource.com and on the SEC's website at www.sec.gov, and we encourage you to consult such disclosures.

All such factors are difficult to predict and contain uncertainties that may materially affect our actual results, many of which are beyond our control. You should not place undue reliance on the forward-looking statements, as each speaks only as of the date on which such statement is made, and, except as required by federal securities laws, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. For more information, see Item 1A, *Risk Factors,* included in this combined Annual Report on Form 10-K. This Annual Report on Form 10-K also describes material contingencies and critical accounting policies in the accompanying *Management's Discussion and Analysis of Financial Condition and Results of Operations*and *Combined Notes to Financial Statements*. We encourage you to review these items.

**EVERSOURCE ENERGY AND SUBSIDIARIES**
**THE CONNECTICUT LIGHT AND POWER COMPANY**
**NSTAR ELECTRIC COMPANY AND SUBSIDIARY**
**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES**

## PART I

### Item 1. Business

Please refer to the Glossary of Terms for definitions of defined terms and abbreviations used in this combined Annual Report on Form 10-K.

Eversource Energy (Eversource), headquartered in Boston, Massachusetts and Hartford, Connecticut, is a public utility holding company subject to regulation by the Federal Energy Regulatory Commission (FERC) under the Public Utility Holding Company Act of 2005. We are engaged primarily in the energy delivery business through the following wholly-owned utility subsidiaries:

- The Connecticut Light and Power Company (CL&P), a regulated electric utility that serves residential, commercial and industrial customers in parts of Connecticut;
- NSTAR Electric Company (NSTAR Electric), a regulated electric utility that serves residential, commercial and industrial customers in parts of eastern and western Massachusetts and owns solar power facilities, and its wholly-owned subsidiary Harbor Electric Energy Company (HEEC), also a regulated electric utility that distributes electric energy to its sole customer;
- Public Service Company of New Hampshire (PSNH), a regulated electric utility that serves residential, commercial and industrial customers in parts of New Hampshire;
- NSTAR Gas Company (NSTAR Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Massachusetts;
- Eversource Gas Company of Massachusetts (EGMA), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Massachusetts;
- Yankee Gas Services Company (Yankee Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Connecticut; and
- Aquarion Company (Aquarion), a utility holding company that owns five separate regulated water utility subsidiaries and collectively serves residential, commercial, industrial, and municipal and fire protection customers in parts of Connecticut, Massachusetts and New Hampshire.

CL&P, NSTAR Electric and PSNH also serve New England customers through Eversource's electric transmission business. Along with NSTAR Gas, EGMAand Yankee Gas, each is doing business as Eversource Energy in its respective service territory.

Eversource, CL&P, NSTAR Electric and PSNH each report their financial results separately. We also include information in this report on a segment basis for Eversource. Eversource has four reportable segments: electric distribution, electric transmission, natural gas distribution and water distribution. These segments represent substantially all of Eversource's total consolidated revenues. CL&P, NSTAR Electric and PSNH do not report separate business segments.

Eversource has an offshore wind business, which includes 50 percent ownership interests in three offshore wind projects and a tax equity investment in one of the projects. For further information, see "Offshore Wind Business” below.

### ELECTRIC DISTRIBUTION SEGMENT

Eversource's electric distribution segment consists of the distribution businesses of CL&P, NSTAR Electric and PSNH, which are engaged in the distribution of electricity to retail customers in Connecticut, Massachusetts and New Hampshire, respectively, and the solar power facilities of NSTAR Electric.

**ELECTRIC DISTRIBUTION – CONNECTICUT – THE CONNECTICUT LIGHT AND POWER COMPANY**

CL&P's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2023, CL&P furnished retail franchise electric service to approximately 1.28 million customers in 157 cities and towns in Connecticut. CL&P does not own any electric generation facilities.

**Rates**

CL&P is subject to regulation by the Connecticut Public Utilities Regulatory Authority (PURA), which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities. CL&P's present general rate structure consists of various rate and service classifications covering residential, commercial and industrial services. CL&P's retail rates include a delivery service component, which includes distribution, transmission, conservation, renewable energy programs and other charges that are assessed on all customers.

Under Connecticut law, all of CL&P's customers are entitled to choose their energy suppliers, while CL&P remains their electric distribution company. For those customers who do not choose a competitive energy supplier, CL&P purchases power on behalf of, and passes the related cost without mark-up through to, those customers under standard service (SS) rates for customers with less than 500 kilowatts of demand (residential customers and small and medium commercial and industrial customers), and supplier of last resort service (LRS) rates for customers with 500 kilowatts or more of demand (larger commercial and industrial customers). CL&Pchar ges customers only the amount that it pays generators for producing electricity and does not earn a profit on the cost of electricity.

The rates established by PURA for CL&P are comprised of the following:

- An electric generation service charge, which recovers energy-related costs incurred as a result of providing electric generation service supply to all customers who have not migrated to competitive energy suppliers. The generation service charge is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- A distribution charge, which includes a fixed customer charge and a demand and/or energy charge to collect the costs of building and expanding the infrastructure to deliver electricity to customers, as well as ongoing operating costs to maintain the infrastructure.

- A revenue decoupling adjustment that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by PURA.

- An Electric System Improvements (ESI) charge, which collects the costs of building and expanding the infrastructure to deliver electricity to customers above the level recovered through the distribution charge. The ESI also recovers costs associated with CL&P’s system resiliency program. The ESI is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- A Federally Mandated Congestion Charge (FMCC), which recovers any costs imposed by the FERC as part of the New England Standard Market Design, including locational marginal pricing, locational installed capacity payments, any costs approved by PURA to reduce these charges, as well as other costs approved by PURA. The FMCC has both a bypassable component and a non-bypassable component, and is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market. The transmission charge is adjusted periodically and reconciled annually to actual costs incurred, and reviewed by PURA, with any difference refunded to, or recovered from, customers.

- ACompetitive Transition Assessment (CTA) charge, assessed to recover stranded costs associated with electric industry restructuring such as various IPPcontracts. The CTA is reconciled annually to actual costs incurred and reviewed by PURA, with any difference refunded to, or recovered from, customers.

- A Systems Benefits Charge (SBC), established to fund expenses associated with various hardship and low-income programs. The SBC is reconciled annually to actual costs incurred, and reviewed by PURA, with any difference refunded to, or recovered from, customers.

- A Renewable Energy Investment Charge, which is used to promote investment in renewable energy sources. Amounts collected by this charge are deposited into the Connecticut Clean Energy Fund and administered by the Connecticut Green Bank.

- AConservation Adjustment Mechanism (CAM) charge established to implement cost-effective energy conservation programs and market transformation initiatives. The CAM charge is reconciled annually to actual costs incurred, and reviewed by PURA, with any difference refunded to, or recovered from, customers through an approved adjustment to the following year’s energy conservation spending plan budget.

As required by regulation, CL&P has entered into long-term contracts for the purchase of (i) products from renewable energy facilities, which may include energy, renewable energy certificates, or capacity, (ii) capacity-related contracts with generation facilities, and (iii) contracts for peaking capacity. Some of these contracts are subject to sharing agreements with UI, whereby CL&P is responsible for 80 percent and UI for 20 percent of the net costs or benefits. CL&P's portion of the costs and benefits of these contracts will be paid by, or refunded to, CL&P's customers.

Distribution Rate Case: CL&P's distribution rates were established in an April 2018 PURA-approved rate case settlement agreement with rates effective May 1, 2018, and incremental step adjustments effective May 1, 2019 and May 1, 2020.

CL&PSettlement Agreement: In accordance with a 2021 settlement agreement, CL&P agreed that its current base distribution rates would be frozen, subject to certain customer credits, until no earlier than January 1, 2024. The rate freeze applied only to base distribution rates (including storm costs) and not to other rate mechanisms such as the retail rate components, rate reconciling mechanisms, formula rates and any other adjustment mechanisms. The rate freeze also did not apply to any cost recovery mechanism outside of the base distribution rates with regard to grid-modernization initiatives or any other proceedings that were either pending or that could be initiated during the rate freeze period, that could have placed additional obligations on CL&P. The approval of the settlement agreement satisfied the Connecticut statute of rate review requirements that requires electric utilities to file a distribution rate case within four years of the last rate case. For further information, see "Regulatory Developments and Rate Matters - Connecticut" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

CL&P Performance Based Rate Making: PURA currently has an open proceeding to evaluate and eventually implement performance based regulation (PBR) for electric distribution companies. For further information, see "Regulatory Developments and Rate Matters - Connecticut" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**Sources and Availability of Electric Power Supply**

As noted above, CL&P does not own any generation assets and purchases energy supply to serve its SS and LRS loads from a variety of competitive sources through requests for proposals. During 2023, CL&P supplied approximately 56 percent of its customer load at SS or LRS rates while the other 44 percent of its customer load had migrated to competitive energy suppliers. In terms of the total number of CL&P customers, this equates to 25 percent being on competitive supply, while 75 percent remain with SS or LRS. Because customer migration is limited to energy supply service, it has no impact on CL&P's electric distribution business or its operating income.

As approved by PURA, CL&P periodically enters into full requirements supply contracts for SS loads for periods of up to one year. CL&P typically enters into full requirements supply contracts for LRS loads every three months. If CL&P does not obtain full requirements supply contracts for 100 percent of the customer load for any period, it is authorized by PURA to meet the remaining load obligations directly through the ISO-NE wholesale markets. Currently, CL&P has full requirements supply contracts in place for 100 percent of its SS load for the first half of 2024. For the second half of 2024, CL&P has 70 percent of its SS load under full requirements supply contracts and intends to purchase an additional 30 percent of full requirements. Ten percent of the SS load for 2025 has been procured. CL&P obtained a full requirements supply contract for its LRS load through June 2024 and intends to purchase 100 percent of full requirements for LRS for the remainder of 2024. CL&P is prepared to self-manage the LRS load if unable to obtain full requirements supply contracts for LRS.

**ELECTRIC DISTRIBUTION – MASSACHUSETTS – NSTAR ELECTRIC COMPANY**

NSTAR Electric's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2023, NSTAR Electric furnished retail franchise electric service to approximately 1.49 million customers in 161 cities and towns in eastern and western Massachusetts, including Boston, Cape Cod, Martha's Vineyard and the greater Springfield metropolitan area.

NSTAR Electric does not own any generating facilities that are used to supply customers, and purchases its energy requirements from competitive energy suppliers.

NSTAR Electric owns, operates and maintains a total of 70 MW of solar power facilities on twenty-two sites in Massachusetts. NSTAR Electric sells energy from these facilities into the ISO-NE market, with proceeds credited to customers.

**Rates**

NSTAR Electric is subject to regulation by the Massachusetts Department of Public Utilities (DPU), which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, acquisition of securities, standards of service and construction and operation of facilities. The present general rate structure for NSTAR Electric consists of various rate and service classifications covering residential, commercial and industrial services.

Under Massachusetts law, all customers of NSTAR Electric are entitled to choose their energy suppliers, while NSTAR Electric remains their electric distribution company. For those customers who do not choose a competitive energy supplier, NSTAR Electric purchases power from competitive suppliers on behalf of, and passes the related cost without mark-up through to, those customers (basic service). Electric distribution companies in Massachusetts are required to obtain and resell power to retail customers through basic service for those who choose not to buy energy from a competitive energy supplier. NSTAR Electric charges customers only the amount that it pays generators for producing electricity and does not earn a profit on the cost of electricity.

The rates established by the DPU for NSTAR Electric are comprised of the following:

- A basic service charge that represents the collection of energy costs incurred as a result of providing electric generation service supply to all customers who have not migrated to competitive energy suppliers, including costs related to charge-offs of uncollectible energy costs from customers. Basic service rates are reset every six months (every three months for large commercial and industrial customers). Additionally, the DPU has authorized NSTAR Electric to recover the cost of its NSTAR Green wind contracts through the basic service charge. Basic service costs are reconciled annually, with any differences refunded to, or recovered from, customers.

- A distribution charge, which includes a fixed customer charge and a demand and/or energy charge to collect the costs of building and expanding the distribution infrastructure to deliver electricity to its destination, as well as ongoing operating costs.

- A revenue decoupling adjustment that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by the DPU. Annual base distribution amounts are adjusted for inflation and certain other items and filed for approval by the DPU on an annual basis, until the next rate case.

- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market. The transmission charge is reconciled annually to actual costs incurred, and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- A transition charge that represents costs to be collected primarily from previously held investments in generating plants, costs related to existing above-market power contracts, and contract costs related to long-term power contract buy-outs. The transition charge is reconciled annually to actual costs incurred, and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- A renewable energy charge that represents a legislatively-mandated charge to support the Massachusetts Renewable Energy Trust Fund.

- An energy efficiency charge that represents a legislatively-mandated charge to collect costs for energy efficiency programs. The energy efficiency charge is reconciled annually to actual costs incurred, and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- Reconciling adjustment charges that recover certain DPU-approved costs, including pension and PBOP benefits, low income customer discounts, credits issued to net metering facilities installed by customers, payments to solar facilities qualified under the state solar renewable energy target program, attorney general consultant expenses, long-term renewable contracts, company-owned solar facilities, vegetation management costs, storm restoration, credits related to the Tax Cuts and Jobs Act of 2017, grid modernization costs, advanced metering infrastructure costs, electric vehicle make-ready infrastructure costs and provisional system planning charges. These charges are reconciled annually to actual costs incurred, and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

As approved by the DPU, NSTAR Electric has signed long-term commitments for the purchase of energy from renewable energy facilities.

Distribution Rate Case: NSTAR Electric distribution rates were established in a November 2022 DPU-approved rate case, with rates effective January 1, 2023. The DPU approved a renewal of the PBR plan originally authorized in its last rate case for a five-year term, with a corresponding stay out provision. The PBR plan term has the possibility of a five-year extension. The PBR mechanism allows for an annual adjustment to base distribution rates for inflation, exogenous events and future capital additions based on a historical five-year average of total capital additions. For further information, see "Regulatory Developments and Rate Matters - Massachusetts" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Service Quality Metrics: NSTAR Electric is subject to service quality (SQ) metrics that measure safety, reliability and customer service, and could be required to pay to customers a SQ charge of up to 2.5 percent of annual transmission and distribution revenues for failing to meet such metrics. NSTAR Electric will not be required to pay a SQ charge for its 2023 performance as the company achieved results at or above target for all of its SQ metrics in 2023.

**Sources and Availability of Electric Power Supply**

As noted above, NSTAR Electric does not own generation assets (other than 70 MW of solar power facilities that produce energy that is sold into the ISO-NE market) and purchases its energy supply requirements from a variety of competitive sources through requests for proposals issued periodically, consistent with DPU regulations. As approved by the DPU, NSTAR Electric enters into supply contracts for basic service for approximately 32 percent of its residential and 29 percent of its small commercial and industrial (C&I) customers twice per year for twelve-month terms. NSTAR Electric enters into supply contracts for basic service for 7 percent of its large C&I customers every three months.

During 2023, NSTAR Electric supplied approximately 18 percent of its overall customer load at basic service rates. The remaining 82 percent of its overall customer load was served either by municipal aggregation or competitive supply. Because customer migration is limited to energy supply service, it has no impact on NSTAR Electric’s electric distribution business or its operating income.

**ELECTRIC DISTRIBUTION – NEW HAMPSHIRE – PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

PSNH's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2023, PSNH furnished retail franchise electric service to approximately 539,000 retail customers in 215 cities and towns in New Hampshire. PSNH does not own any electric generation facilities.

**Rates**

PSNH is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC), which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of securities, standards of service and construction and operation of facilities.

Under New Hampshire law, all of PSNH's customers are entitled to choose competitive energy suppliers. For those customers who do not choose a competitive energy supplier, PSNH purchases power on behalf of, and passes the related cost without mark-up through to, those customers (default energy service). PSNH charges customers only the amount that it pays generators for producing electricity and does not earn a profit on the cost of electricity.

The rates established by the NHPUC for PSNH are comprised of the following:

- A default energy service charge recovers energy-related costs incurred as a result of providing electric generation service supply to all customers who have not migrated to competitive energy suppliers.

- A distribution charge, which includes kilowatt-hour and/or demand-based charges to recover costs related to the maintenance and operation of PSNH's infrastructure to deliver power to its destination, as well as power restoration and service costs. It also includes a customer charge to collect the cost of providing service to a customer; such as the installation, maintenance, reading and replacement of meters and maintaining accounts and records.

- A Transmission Charge Adjustment Mechanism (TCAM) that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market.

- A Stranded Cost Recovery Charge (SCRC), which allows PSNH to recover its stranded costs, including above-market expenses incurred under mandated power purchase obligations, other long-term investments and obligations, and the remaining costs associated with the 2018 sales of its generation facilities.

- A Systems Benefits Charge (SBC), which funds energy efficiency programs for all customers, as well as assistance programs for residential customers within certain income guidelines. The SBC also has a component for the company to collect lost base revenue (LBR) from the implementation of energy efficiency measures. LBR will remain a component of the SBC charge unless and until PSNH has a decoupling or other revenue adjustment mechanism approved by the NHPUC.

- A Regulatory Reconciliation Adjustment (RRA) that reconciles the difference between certain estimated and actual costs included in base distribution rates, including costs related to regulatory assessments, vegetation management program expenses, property tax expenses, storm cost amortization updated for the actual cost of long-term debt and lost base revenues related to net metering.

- A Pole Plant Adjustment Mechanism (PPAM) that recovers certain costs associated with poles acquired under a 2023 purchase agreement between PSNH and Consolidated Communications, including the operation and maintenance of poles, pole inspections, and vegetation management expenses incurred, beginning February 10, 2021 through April 30, 2023. For further information, see "Regulatory Developments and Rate Matters - New Hampshire" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The default energy service charge changes semi-annually, the SCRC rate changes annually with the option to change semi-annually beginning in 2023, and the transmission and SBC rates change annually. These rates are reconciled annually in accordance with the policies and procedures of the NHPUC, with any differences refunded to, or recovered from, customers.

As approved by the NHPUC, PSNH has signed long-term commitments for the purchase of energy from renewable energy facilities.

Distribution Rate Case: PSNH’s distribution rates were established in a December 2020 NHPUC-approved settlement agreement, with rates effective January 1, 2021. PSNH was also permitted three step increases, effective January 1, 2021, August 1, 2021, and August 1, 2022, to reflect plant additions in calendar years 2019, 2020 and 2021, respectively. The NHPUC approved a rate increase effective February 1, 2022 designed to collect $1.1 million dollars annually to fund a reserve account to pay for arrearage forgiveness for customers with past due balances and the New Start Program. On October 20, 2022, the NHPUC approved the third step adjustment for 2021 plant in service to recover a revenue requirement of $8.9 million, with rates effective November 1, 2022. The total approved revenue requirement increase was collected over the remainder of the rate year (November 1, 2022 – July 31, 2023).

**Sources and Availability of Electric Power Supply**

PSNH does not own any generation assets and as approved by the NHPUC, purchases energy supply from a variety of competitive suppliers for its energy service customers through requests for proposals issued twice per year, for six-month terms, for approximately 64 percent of its residential and small C&I customers and for 9 percent of its large C&I customers.

During 2023, PSNH supplied approximately 37 percent of its customer load at default energy service rates while the other 63 percent of its customer load had migrated to competitive energy suppliers. Because customer migration is limited to energy supply service, it has no impact on PSNH's electric distribution business or its operating income.

**ELECTRIC TRANSMISSION SEGMENT**

CL&P, NSTAR Electric and PSNH each own and maintain transmission facilities that are part of an interstate power transmission grid over which electricity is transmitted throughout New England. Each of CL&P, NSTAR Electric and PSNH, and most other New England utilities, are parties to a series of agreements that provide for coordinated planning and operation of the region's transmission facilities and the rules by which they acquire transmission services. Under these arrangements, ISO-NE, a non-profit corporation whose board of directors and staff are independent of all market participants, serves as the regional transmission organization of the New England transmission system.

**Wholesale Transmission Rates**

Wholesale transmission revenues are recovered through FERC-approved formula rates. Annual transmission revenue requirements include recovery of transmission costs and include a return on equity applied to transmission rate base. Transmission revenues are collected from New England customers, including distribution customers of CL&P, NSTAR Electric and PSNH. The transmission rates provide for an annual true-up of estimated to actual costs. The financial impacts of differences between actual and estimated costs are deferred for future recovery from, or refund to, transmission customers.

**Transmission Rate Base**

Transmission rate base under our FERC-approved tariff primarily consists of our investment in transmission net utility plant less accumulated deferred income taxes. Under our FERC-approved tariff, investments in net utility plant generally enter rate base after they are placed in commercial operation. At the end of 2023, our estimated transmission rate base was approximately $9.8 billion, including approximately $4.1 billion at CL&P, $3.9 billion at NSTAR Electric, and $1.8 billion at PSNH.

**FERC ROE Complaints**

Four separate complaints were filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively, the Complainants). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE billed of 10.57 percent and the maximum ROE for transmission incentive (incentive cap) of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

In response to appeals of the FERC decision in the first complaint filed by the NETOs and the Complainants, the U.S. Court of Appeals for the D.C. Circuit (the Court) issued a decision on April 14, 2017 vacating and remanding the FERC's decision. On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE.

During 2019 and 2020, FERC also issued multiple decisions in two pending transmission ROE complaints against the Midcontinent ISO (MISO) transmission owners, in which FERC adopted new methodologies for determining base ROEs. On August 9, 2022, the Court issued a decision vacating these MISO FERC decisions and remanded to FERC to reopen the proceedings. At this time, Eversource cannot predict how and when FERC will address the Court's findings on the remand of the MISO FERC opinions or any potential associated impact on the NETOs' four pending ROE complaint cases.

Given the significant uncertainty regarding the applicability of the FERC opinions in the MISO transmission owners' two complaint cases to the NETOs' pending four complaint cases, Eversource concluded that there is no reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods at this time. As well, Eversource cannot reasonably estimate a range of loss for any of the four complaint proceedings at this time.

For further information, see "FERC Regulatory Matters - FERC ROE Complaints" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**NATURAL GAS DISTRIBUTION SEGMENT**

NSTAR Gas distributes natural gas to approximately 307,000 customers in 59 communities in central and eastern Massachusetts. EGMA distributes natural gas to approximately 336,000 customers in 66 communities throughout Massachusetts. Yankee Gas distributes natural gas to approximately 252,000 customers in 85 cities and towns in Connecticut. Total throughput (sales and transportation) in 2023 was approximately 67.1 Bcf for NSTAR Gas, 54.2 Bcf for EGMA, and 56.4 Bcf for Yankee Gas. Our natural gas businesses provide firm natural gas sales and transportation service to eligible retail customers who require a continuous natural gas supply throughout the year, such as residential customers who rely on natural gas for heating, hot water and cooking needs, as well as commercial and industrial customers who rely on natural gas for space heating, hot water, cooking and commercial and industrial applications.

NSTAR Gas, EGMAand Yankee Gas generate revenues primarily through the sale and/or transportation of natural gas. All NSTAR Gas and EGMA retail customers have the ability to choose to purchase gas from third party marketers under the Massachusetts Retail Choice program. In the past year in Massachusetts, Retail Choice represented only approximately one percent of the total residential load, while Retail Choice represented approximately 50 percent of the total commercial and industrial load. Retail natural gas service in Connecticut is partially unbundled: residential customers in Yankee Gas' service territory buy natural gas supply and delivery only from Yankee Gas while commercial and industrial customers may choose their natural gas suppliers. For customers who purchase natural gas from NSTAR Gas, EGMAand Yankee Gas, the purchased natural gas commodity cost is passed through to those customers without mark-up. NSTAR Gas, EGMAand Yankee Gas do not earn a profit on the cost of purchased gas.

Firm transportation service is offered to customers who purchase natural gas from sources other than NSTAR Gas, EGMAor Yankee Gas. NSTAR Gas and EGMA have the ability to offer interruptible transportation and interruptible natural gas sales service to high volume commercial and industrial customers. Yankee Gas offers interruptible transportation and interruptible natural gas sales service to commercial and industrial customers who have the ability to switch from natural gas to an alternate fuel on short notice. NSTAR Gas, EGMAand Yankee Gas can interrupt service to these customers during peak demand periods or at any other time to maintain distribution system integrity.

A portion of the storage of natural gas supply for NSTAR Gas and EGMA during the winter heating season is provided by Hopkinton LNG Corp., an indirect, wholly-owned subsidiary of Eversource. NSTAR Gas has access to facilities consisting of an LNG liquefaction and vaporization plant and three above-ground cryogenic storage tanks having an aggregate capacity of 3.0 Bcf of liquefied natural gas and facilities that include additional storage capacity of 0.5 Bcf. Total vaporization capacity of these facilities is 0.21 Bcf per day. EGMA has access to approximately 1.8 Bcf of LNG and 0.1 Bcf of LPG storage, with a total vaporization capacity of 0.14 Bcf per day. Yankee Gas owns a 1.2 Bcf LNG facility, which also has the ability to liquefy and vaporize up to 0.1 Bcf per day. This facility is used primarily to assist Yankee Gas in meeting its supplier-of-last-resort obligations and also enables it to provide economic supply and make economic refill of natural gas, typically during periods of low demand.

**Rates**

NSTAR Gas and EGMA are subject to regulation by the DPU and Yankee Gas is subject to regulation by the PURA, both of which, among other things, have jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities.

Retail natural gas delivery and supply rates are established by the DPU and the PURA and are comprised of:

- A distribution charge consisting of a fixed customer charge and a demand and/or energy charge that collects the costs of building, maintaining, and expanding the natural gas infrastructure to deliver natural gas supply to its customers. This also includes collection of ongoing operating costs.

- A seasonal cost of gas adjustment clause (CGAC) at NSTAR Gas and EGMA that collects natural gas supply costs, pipeline and storage capacity costs, costs related to charge-offs of uncollected energy costs and working capital related costs. The CGAC is reset semi-annually with any difference being recovered from, or refunded to, customers during the following corresponding season. In addition, NSTAR Gas and EGMA file interim changes to the CGAC factor when the actual costs of natural gas supply vary from projections by more than five percent.

- A Purchased Gas Adjustment (PGA) clause at Yankee Gas that collects the costs of the procurement of natural gas for its firm and seasonal customers. The PGAis evaluated monthly. Dif ferences between actual natural gas costs and collection amounts from September 1st through August 31st of each PGA year are deferred and then recovered from, or refunded to, customers during the following PGAyear . Carrying charges on outstanding balances are calculated using Yankee Gas' weighted average cost of capital in accordance with the directives of the PURA.

- A local distribution adjustment clause (LDAC) at NSTAR Gas and EGMA that collects all energy efficiency and related program costs, environmental costs, pension and PBOP related costs, attorney general consultant costs, credits related to the Tax Cuts and Jobs Act of 2017, gas system enhancement program (GSEP) costs, costs associated with low income customers, and costs associated with a geothermal pilot program. The LDAC is reset annually with any difference being recovered from, or refunded to, customers during the following period and provides for the recovery of certain costs applicable to both sales and transportation customers.

- AConservation Adjustment Mechanism (CAM) at Yankee Gas, which allows 100 percent recovery of conservation costs through this mechanism including program incentives to promote energy efficiency. A reconciliation of CAM revenues to expenses is performed annually with any difference being recovered from, or refunded to, customers with carrying charges during the following year.

- A Gas System Improvement (GSI) reconciliation mechanism at Yankee Gas, which collects the costs of certain Distribution Integrity Management Program (DIMP) and core capital plant in service above and beyond the level that is recovered through the distribution charge. The GSI is adjusted and reconciled annually, with any differences refunded to, or recovered from, customers.

- A System Expansion Rate (SER) reconciliation mechanism at Yankee Gas, which compares distribution system expansion investment costs and revenues from system expansion customers with the level projected in current distribution customer rates. This reconciliation is performed annually and customer rates are adjusted accordingly.

- A Revenue Decoupling Mechanism (RDM) at NSTAR Gas and EGMA that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by the DPU. The pre-established level of baseline distribution delivery service revenue requirement is also subject to adjustment in accordance with provisions of the November 2020 NSTAR Gas distribution rate case and the October 2020 EGMA rate settlement agreement.

- A RDM at Yankee Gas that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by the PURA. The pre-established level of baseline distribution delivery service revenue requirement is also subject to adjustment in accordance with provisions of the 2018 rate case settlement agreement.

Distribution Rate Cases:
NSTAR Gas: NSTAR Gas distribution rates were established in an October 2020 DPU-approved rate case, with rates effective November 1, 2020. The DPU also approved a 10-year PBR plan through November 1, 2030, which includes inflation-based adjustments to annual base distribution amounts effective annually beginning November 1, 2021. For further information, see "Regulatory Developments and Rate Matters - Massachusetts" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

EGMA: EGMA's distribution rates were established in a DPU-approved October 7, 2020 rate settlement agreement, with rate increases on November 1, 2021 and November 1, 2022, and two rate base resets during an eight-year rate plan, occurring on November 1, 2024 and November 1, 2027. Notwithstanding the two distribution rate increases, the two rate base reset provisions, and potential adjustments for qualifying exogenous events, EGMA agreed not to file for an increase or redesign of distribution base rates effective prior to November 1, 2028.

Yankee Gas: Yankee Gas distribution rates were established in a December 2018 PURA-approved rate case settlement agreement, with rates effective November 15, 2018. PURA also approved step adjustments effective January 1, 2020 and January 1, 2021.

Service Quality Metrics: NSTAR Gas and EGMA are subject to SQ metrics that measure safety, reliability and customer service and each could be required to pay to customers a SQ charge of up to 2.5 percent of annual distribution revenues for failing to meet such metrics. NSTAR Gas and EGMA will not be required to pay any SQ charges relating to their 2023 performance.

**Natural Gas Replacement**

Massachusetts: Pursuant to Massachusetts legislation, in October of each year, NSTAR Gas and EGMA file GSEP Plans with the DPU for the following construction year. The GSEP Program is designed to accelerate the replacement of certain natural gas distribution facilities in the system to less than 25 years. The GSEP includes a tariff that provides NSTAR Gas and EGMA an opportunity to collect the costs for the program on an annual basis through a reconciling factor. On April 30th each year, the DPU approves the GSEP rate recovery factor that goes into effect on May 1st.

In October 2020, the DPU opened Docket "DPU 20-80 The Future of Gas" to examine the role of Massachusetts natural gas local distribution companies (LDCs) in helping to meet the state's 2050 climate goals. In December 2023, the DPU issued an order for this docket. The DPU will consider and, in some cases, require new processes and analysis for traditional natural gas investments, which may require significant changes to the LDC planning process and business models. The DPU intends to put policies and structures in place that would protect customers as Massachusetts works to decarbonize the building sector, which may involve subsequent dockets and regulatory proceedings and potentially recasting the role of LDCs in Massachusetts. The DPU preserved customer choice for energy needs and encouraged further development of decarbonized alternatives, such as the networked geothermal systems that NSTAR Gas is piloting in Framingham, Massachusetts. At this time, Eversource cannot predict the ultimate outcome of this proceeding, as the Company and other LDCs are seeking formal clarity from the DPU to fully understand the resulting impact to their natural gas businesses and the associated timing of any impacts. The Company does not believe there is any indication of an inability to recover costs or risk of impairment of our natural gas assets at this time.

Connecticut: Yankee Gas' December 2018 PURA-approved rate case settlement agreement included an accelerated pipeline replacement cost recovery program. The GSI rate recovers accelerated pipeline replacement as well as other capital investment through an annual reconciliation. Yankee Gas files its GSI reconciliation annually on March 1st for rates effective April 1st.

In September 2021, PURA undertook a review of Connecticut natural gas companies' infrastructure system expansion plan (SEP) to determine if the SEP continues to be in the best interest of the state's comprehensive energy strategy. On April 27, 2022, PURA issued an order for the immediate winding down of the SEP by (1) ending the enrollment of new customers in the SEP program and permitting only a specific group of potential customers who have executed a services agreement with a natural gas company on or before a specified date (subsequently approved as August 16, 2022) to qualify for incentives under the current SEP; (2) directing all surplus non-firm margin to be deferred as a regulatory liability and applied to rate base in a future rate proceeding; and (3) directing the natural gas companies to cease all outbound and passive marketing regarding the SEP. On July 15, 2022, Yankee Gas appealed the portion of this order pertaining to the deferral of non-firm margin as a reduction to future rate base. On October 24, 2023, Yankee Gas informed the Connecticut Superior Court that the parties mutually agreed to resolve the appeal through a stipulation, which clarified that PURA will decide in Yankee Gas's next gas rate case the ratemaking treatment of the deferred non-firm margin. Yankee Gas evaluated the prospective impact of this proceeding and does not believe the impact will be material to its future financial position, results of operations and cash flows.

**Sources and Availability of Natural Gas Supply**

NSTAR Gas and EGMA maintain flexible resource portfolios consisting of natural gas supply contracts, transportation contracts on interstate pipelines, market area storage and peaking services. NSTAR Gas and EGMA purchase transportation, storage, and balancing services from Tennessee Gas Pipeline Company and Algonquin Gas Transmission Company, as well as other upstream pipelines that transport natural gas from major natural gas producing regions in the U.S., including the Gulf Coast, Mid-continent region, and Appalachian Shale (as well as Ontario, Canada specific to EGMA), which supply to the final delivery points in the NSTAR Gas and EGMA service areas. NSTAR Gas purchases all of its natural gas supply under a firm, competitively bid annual portfolio management contract. EGMA purchases the majority of its natural gas supply under a number of firm, competitively bid annual portfolio management contracts, and manages a portion of its own portfolio. In addition to the firm transportation and natural gas storage supplies discussed above, NSTAR Gas and EGMA utilize on-system LNG facilities (and also LPG facilities for EGMA) to meet winter peaking demands. These LNG facilities are located within NSTAR Gas' and EGMA's distribution systems and are used to liquefy pipeline natural gas and/or receive liquefied natural gas or liquefied petroleum gas to be stored during the warmer months for vaporization and use during the heating season. During the summer injection season, excess pipeline capacity and supplies are used to deliver and store natural gas in market area underground storage facilities located in Maryland and Pennsylvania. Stored natural gas is withdrawn during the winter season to supplement flowing pipeline supplies in order to meet firm heating demand. NSTAR Gas has firm underground storage contracts and total storage capacity entitlements of approximately 6.6 Bcf, and 3.5 Bcf LNG storage is provided by Hopkinton LNG Corp. in facilities located in two different locations in Massachusetts. EGMA has firm underground storage contracts and total storage capacity entitlements of approximately 8.6 Bcf, and 1.9 Bcf LNG and LPG storage is provided by Hopkinton LNG Corp. in facilities located at seven different locations in Massachusetts.

PURArequires Yankee Gas to meet the needs of its firm customers under all weather conditions. Specifically, Yankee Gas must structure its supply portfolio to meet firm customer needs under a design day scenario (defined as the coldest day in 30 years) and under a design year scenario (defined as the average of the four coldest years in the last 30 years). Yankee Gas also maintains a flexible resource portfolio consisting of natural gas supply contracts, transportation contracts on interstate pipelines, off-system storage and its on-system 1.2 Bcf LNG storage facility in Connecticut to meet consumption needs during the coldest days of winter. Yankee Gas obtains its interstate capacity from the three interstate pipelines that directly serve Connecticut: the Algonquin, Tennessee and Iroquois Pipelines, which connect to other upstream pipelines that transport natural gas from major natural gas producing regions, including the Gulf Coast, Mid-continent, Canadian regions and Appalachian Shale supplies.

Based on information currently available regarding projected growth in demand and estimates of availability of future supplies of pipeline natural gas, each of NSTAR Gas, EGMAand Yankee Gas believes that in order to meet the long-term firm customer requirements in a reliable manner, a combination of pipeline, storage, and non-pipeline solutions will be necessary.

**WATER DISTRIBUTION SEGMENT**

Aquarion Company (Aquarion) operates five separate regulated water utilities in Connecticut (Aquarion Water Company of Connecticut, or AWC-CT, and The Torrington Water Company), Massachusetts (Aquarion Water Company of Massachusetts, or AWC-MA), and New Hampshire (Aquarion Water Company of New Hampshire, or AWC-NH, and Abenaki Water Company). These regulated companies provide water services to approximately 241,000 residential, commercial, industrial, municipal and fire protection and other customers, in 72 towns and cities in Connecticut, Massachusetts and New Hampshire. As of December 31, 2023, approximately 92 percent of Aquarion's customers were based in Connecticut.

**Rates**

Aquarion's water utilities are subject to regulation by the PURA, the DPU and the NHPUC in Connecticut, Massachusetts and New Hampshire, respectively. These regulatory agencies have jurisdiction over, among other things, rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities.

Aquarion's general rate structure consists of various rate and service classifications covering residential, commercial, industrial, and municipal and fire protection services.

The rates established by the PURA, DPU and NHPUC are comprised of the following:

- A base rate, which is comprised of fixed charges based on meter/fire connection sizes, as well as volumetric charges based on the amount of water sold. Together these charges are designed to recover the full cost of service resulting from a general rate proceeding.
- In Connecticut, a revenue adjustment mechanism (RAM) that reconciles earned revenues, with certain allowed adjustments, on an annual basis, to the revenue requirement approved by PURA.
- In Connecticut and New Hampshire, a water infrastructure conservation adjustment (WICA) charge, and in Massachusetts, an annual main replacement adjustment mechanism (MRAM) charge, which is applied between rate case proceedings and seeks recovery of allowed costs associated with eligible infrastructure improvement projects placed in-service. The WICA is updated semi-annually in Connecticut and annually in New Hampshire. In Connecticut, an annual WICAreconciliation mechanism reconciles earned WICA revenue to the approved WICA revenue with any differences refunded to, or recovered from, customers.

**Sources and Availability of Water Supply**

Our water utilities obtain their water supplies from owned surface water sources (reservoirs) and groundwater supplies (wells) with a total supply yield of approximately 135 million gallons per day, as well as water purchased from other water suppliers. Approximately 98 percent of our annual production is self-supplied and processed at ten surface water treatment plants and numerous well stations, which are all located in Connecticut, Massachusetts, and New Hampshire.

The capacities of Aquarion's sources of supply, and water treatment, pumping and distribution facilities, are considered sufficient to meet the present requirements of Aquarion's customers under normal conditions. On occasion, drought declarations are issued for portions of Aquarion's service territories in response to extended periods of dry weather conditions.

**OFFSHORE WIND BUSINESS**

Eversource's offshore wind business includes 50 percent ownership interests in wind partnerships, which collectively hold the Revolution Wind, South Fork Wind and Sunrise Wind projects, and a tax equity investment in South Fork Wind. The offshore wind projects are being developed and constructed through joint and equal partnerships with Ørsted. Revolution Wind is a 704 MWof fshore wind power project located approximately 15 miles south of the Rhode Island coast, and South Fork Wind is a 130 MWof fshore wind power project located approximately 35 miles east of Long Island. Sunrise Wind is a 924 MWof fshore wind facility located 35 miles east of Montauk Point, Long Island. The completion dates for these projects are subject to federal permitting through BOEM, engineering, state siting and permitting in New York, Rhode Island and Massachusetts and construction schedules.

We are in the process of selling our existing 50 percent interests in the three jointly-owned offshore wind projects. In connection with the sales process, we have recorded impairments to the carrying value of the offshore wind investments to reflect the investments at estimated fair value. For more information on these projects, the sales process, and the impairment evaluations, see "Business Development and Capital Expenditures – Offshore Wind Business" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

**CAPITAL EXPENDITURES**

For information on capital expenditures and projects during 2023, as well as projected capital expenditures by business, see "Business Development and Capital Expenditures" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

**FINANCING**

For information regarding short-term and long-term debt agreements, see "Liquidity" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* and Note 8, "Short-Term Debt," and Note 9, "Long-Term Debt," of the Combined Notes to Financial Statements.

**NUCLEAR FUEL STORAGE**

CL&P, NSTAR Electric, PSNH, and several other New England electric utilities are stockholders in three inactive regional nuclear generation companies, CYAPC, MYAPC and YAEC (collectively, the Yankee Companies). The Yankee Companies have completed the physical decommissioning of their respective nuclear power facilities and are now engaged in the long-term storage of their spent nuclear fuel. The Yankee Companies fund these costs through litigation proceeds received from the DOE and, to the extent necessary, through wholesale, FERC-approved rates charged under power purchase agreements with several New England utilities, including CL&P, NSTAR Electric and PSNH. CL&P, NSTAR Electric and PSNH, in turn recover these costs from their customers through state regulatory commission-approved retail rates. The Yankee Companies collect amounts that we believe are adequate to recover the remaining plant closure and fuel storage cost estimates for the respective plants. We believe CL&P and NSTAR Electric will recover their shares of these obligations from their customers. PSNH has recovered its total share of these costs from its customers.

We consolidate the assets and obligations of CYAPC and YAEC on our consolidated balance sheet because our ownership and voting interests are greater than 50 percent of each of these companies.

## OTHER REGULATORY AND ENVIRONMENTAL MATTERS

### General

We are regulated by various federal and state agencies, including FERC, the SEC, and various state and/or local regulatory authorities with jurisdiction over the industry and the service areas in which each of our companies operates, including the PURA, which has jurisdiction over CL&P, Yankee Gas, and Aquarion, the DPU, which has jurisdiction over NSTAR Electric, NSTAR Gas, EGMAand Aquarion, and the NHPUC, which has jurisdiction over PSNH and Aquarion.

### Renewable Portfolio Standards

Each of the states in which we do business has Renewable Portfolio Standards (RPS) requirements, which generally require fixed percentages of our energy supply to come from renewable energy sources such as solar, wind, hydropower, landfill gas, fuel cells and other similar sources.

Connecticut's RPS statute requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2023, the total RPS obligation was 35.0 percent and will ultimately reach 48.0 percent in 2030. CL&P is permitted to recover any costs incurred in complying with RPS from its customers through its generation service charge rate.

Massachusetts' RPS program requires electricity suppliers to meet renewable energy standards. For 2023, the RPS and Clean Energy Standard (CES) requirements were 59.2 percent, and will ultimately reach 63.1 percent in 2025. Massachusetts electric suppliers were also required to meet Alternative Energy Portfolio Standards (APS) of 5.75 percent and Clean Peak Energy Standards (CPS) of 6.0 percent in 2023. Those requirements will reach 6.25 and 9.00 percent in 2025, respectively. NSTAR Electric is permitted to recover any costs incurred in complying with these requirements from its customers through rates. NSTAR Electric also owns renewable solar power facilities. The RECs generated from NSTAR Electric's solar power facilities are sold to other energy suppliers, and the proceeds from these sales are credited back to customers.

New Hampshire's RPS provision requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2023, the total RPS obligation was 23.4 percent and it will ultimately reach 25.2 percent in 2025. The costs of the RECs are recovered by PSNH through rates charged to customers.

### Environmental Regulation and Matters

We are subject to various federal, state and local environmental legislation and regulation with respect to water quality, air quality, natural/working lands (wetlands, resource areas, habitat), hazardous materials and other environmental matters. Our environmental policy includes formal procedures and a task-scheduling system in place to help ensure environmental compliance. The Board’s Governance, Environmental and Social Responsibility Committee also provides oversight of climate issues, environmental matters and compliance. We also identify and address potential environmental risks through our Enterprise Risk Management (ERM) program in addition to rigorous audits of our facilities, vendors, and processes.

Additionally, projects may not be constructed or significantly modified without a review of the environmental impact of the proposed construction or modification by the applicable federal or state agencies. Many of our construction projects require the submission of comprehensive permitting applications to various local, state and federal agencies. The permits we receive outline various best management practices and restoration requirements to address construction period-impacts.

We have recorded a liability for what we believe, based upon currently available information, is our reasonably estimable environmental investigation, remediation, and/or natural resource damages costs for waste disposal sites for which we have probable liability. Under federal and state law, government agencies and private parties can attempt to impose liability on us for recovery of investigation and remediation costs at contaminated sites. As of December 31, 2023, the liability recorded for our reasonably estimable and probable environmental remediation costs for known sites needing investigation and/or remediation, exclusive of recoveries from insurance or from third parties, was $128.2 million, representing 65 sites. These costs could be significantly higher if additional remediation becomes necessary or when additional information as to the extent of contamination becomes available.

The most significant liabilities currently relate to future clean-up costs at former MGPfacilities. These facilities were owned and operated by our predecessor companies from the mid-1800's to mid-1900's. By-products from the manufacture of natural gas using coal resulted in fuel oils, hydrocarbons, coal tar, purifier wastes, metals and other waste products that may pose a potential risk to human health and the environment. We currently have partial or full ownership responsibilities at former MGP sites that have a reserve balance of $117.1 million of the total $128.2 million as of December 31, 2023. MGP costs are recoverable through rates charged to our customers.

When planning environmental investigations and remediation of impacted properties, we work closely with the municipalities and environmental regulators to ensure that our remediation plans adhere to applicable regulations while protecting human health and the environment. In many cases, these remediation projects are designed to address opportunities for beneficial reuse of the property.

**Global Climate Change and Greenhouse Gas Emission Issues**

Eversource assesses the regulatory, physical and transitional impacts related to climate change to develop mitigation strategies including evaluating the impacts of more severe weather events, financial risks, changing customer behaviors, and opportunities to reduce emissions in our operations and for the region through clean energy and emerging technologies investments.

*Regulatory Impacts of Climate Change:* Global climate change continues to receive increasing focus from the federal and state governments. The Biden administration has communicated a strong focus on addressing climate change by setting a U.S. target of reducing greenhouse gas (GHG) emissions by 50 percent by 2030, compared to 2005 levels, and achieving net-zero emissions by 2050 economy-wide. The plan calls for aggressive measures focused on clean transportation, clean energy and climate investments targeted at environmental justice communities. In support of this plan, federal funding and incentive programs for clean transportation and energy offer opportunities for Eversource to invest in projects that have the ability to reduce emissions in the region while benefiting our communities and shareholders. Similarly, some of the states in which we operate have aggressive climate goals and implementation plans. In Connecticut, legislation includes a target to achieve zero-carbon electricity by 2040. In response to the 2021 Massachusetts climate legislation calling for increased electrification of the transportation and building sectors, in 2023, Eversource developed an Electric Sector Modernization Plan (ESMP) detailing steps the Company will take over the next five and ten years to help ensure reliability and resiliency while supporting a clean energy future. Similarly, the Massachusetts “Future of Gas” docket (DPU 20-80) looks to identify ways for natural gas local distribution companies to support the state’s net zero by 2050 climate goal. These state regulations and related policies may introduce risks and opportunities to our businesses if demands for energy or heating change.

Eversource continually evaluates the evolving regulatory landscape concerning climate change, which could potentially lead to additional requirements and additional rules and regulations that could impact how we operate our businesses. Potential future environmental statutes and regulations, such as additional greenhouse gas reduction regulations to address global climate change, could impose significant additional costs and there can be no assurance that regulators will approve the recovery of those costs.

*Physical and Transitional Impacts of Climate Change:* Eversource assesses the physical impacts of climate change that are event-driven or due to longer-term shifts in climate patterns, as well as transitional impacts related to a shift to a lower-carbon economy and changes to address mitigation and adaptation requirements. To address physical and transitional impacts related to climate change, maintain resiliency across our system, and enable potential opportunities for our business, we are pursuing the following actions:

- Improving our system resiliency in response to climate change through vegetation management, pole and wire strengthening, flood proofing, and other system hardening measures;
- Implementing a grid modernization plan that will enhance our electric distribution infrastructure to improve resiliency and reliability and increase opportunities to facilitate integration of distributed energy resources and electric vehicle infrastructure;
- Focusing on improving the efficiency of our electric and natural gas distribution systems, preparing for increased opportunities that clean energy advancements create, and providing customers with ways to optimize their energy efficiency;
- Investigating emerging technologies such as energy storage and automation programs that improve reliability;
- Implementing programs to address risks that may impact water availability and water quality; and
- Evaluating opportunities for our natural gas system and exploring alternative, less carbon-intense, technologies like renewable natural gas and geothermal for heating.

Physical risks from climate change may be acute due to increased severity of extreme weather events or chronic due to changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and/or rising sea levels, and shifting weather conditions, such as changes in precipitation, extreme heat, more frequent and severe storms, droughts, wildfires and floods. These risks may result in customers’ener gy and water usage increasing or decreasing depending on the duration and magnitude of the changes, degradation of water quality and our ability to reliably deliver our services to customers. Severe weather may cause outages, potential disruption of operations, and property damage to our assets.

Our actions to improve system reliability and resiliency allow our business to operate under changing conditions and meet customer expectations. System improvements are designed to withstand severe weather impacts and include installing new and stronger infrastructure like poles, wires and related system equipment, as well as enhanced year-round tree trimming. We are reinforcing existing critical facilities to withstand storm surges and all future substations are being “flood hardened” to better protect our system against storm surges associated with the increasing risk of severe weather. We created our comprehensive emergency preparedness and response plans in partnership with state and community leaders so that when a storm occurs, we can provide customers and municipalities with timely and accurate information, while safely and promptly restoring power. Additionally, we collaborate with other utility providers and industry partners across the country to better understand storm hazards and develop solutions to improve our system reliability.

Eversource has made a corporate commitment to reduce Scope 1 and 2 GHG emissions from our operations and reach carbon neutrality by 2030. In December 2023, we submitted an application to the Science Based Target initiative (SBTi) seeking validation of a broader GHG target, which will expand our emission reduction efforts and include indirect Scope 3 sources. Greenhouse gas emissions from our operations consist primarily of line loss (emissions associated with the energy lost when power is transmitted and distributed across the electric system), methane leaks from our natural gas distribution system, operating our facilities and vehicle fleet, and sulfur hexafluoride (SF6) leaks from electric equipment. To measure our influences on climate change, we quantify and publicly report our operational carbon footprint through a third-party verified GHG emission inventory on an annual basis. Our initiatives to reduce GHG emissions across our company include improving energy efficiency and expanding the use of renewable energy at our buildings, utilizing alternative fuels and introducing more hybrid vehicles into the company fleet, reducing fugitive emissions of methane and SF6 by replacing leak-prone natural gas pipes, improving maintenance of SF6 electrical equipment, and piloting innovative technologies, such as alternative SF6 electrical equipment.

Our business is also exposed to climate-related transitional risks, such as policy, legal and reputational impacts, and technology and market changes as we enable broad decarbonization of the electrical and building sectors in support of regional policies and targets. We actively support local, state and federal emission reduction goals to address climate change and pursue climate-related opportunities that enable continued business success while serving the needs of our customers. Our clean energy investments help reduce regional emissions while improving shareholder value. Meanwhile, our energy efficiency solutions and electric vehicle infrastructure investments allow our customers to make choices that minimize climate-related impacts.

Additionally, as our business transitions to support a low carbon economy, human capital needs will also change with the potential to impact our workforce. As new technologies are implemented, we will need to recruit, develop and possibly retrain employees to meet the need for new skill sets.

**Electric and Magnetic Fields**

For more than forty years, published reports have discussed the possibility of adverse health effects from electric and magnetic fields (EMF) associated with electric transmission and distribution facilities, including appliances, and wiring in buildings and homes. Some epidemiology studies have reported a possible statistical association between adverse health effects and exposure with EMF. The association identified in some of these studies remain unexplained and inconclusive. Numerous scientific review panels, considering all significant EMF epidemiology and laboratory studies, have concluded that the available body of scientific information does not support a conclusion that EMF affects human health at levels expected in the vicinity. In accordance with recommendations of various regulatory bodies and public health organizations, we use design principles that help reduce potential EMF exposures associated with new transmission lines.

**HUMAN CAPITAL**

Eversource is committed to delivering reliable energy and superior customer service; expanding energy options for our region; environmental stewardship; a safe, diverse and fairly compensated workforce; and community service and leadership. Our employees are critical to achieving this mission and we recognize the importance of attracting, retaining and developing our employees. Leaders at all levels strive to create a workplace where our employees are engaged, empowered, advocate for the customer, work collaboratively, raise ideas for improvement and focus on delivering superior customer experience. We build employee engagement through continuous communication, developing talent, fostering teamwork and creating a diverse, equitable and inclusive workplace. We have established metrics and annual goals on our corporate scorecard, including safety performance, talent diversity and employee engagement, that drive accountability for progress across all areas of the business.

As of December 31, 2023, Eversource Energy employed a total of 10,171 employees, excluding temporary employees, of which 1,529 were employed by CL&P, 2,044 were employed by NSTAR Electric, and 830 were employed by PSNH. In addition, 4,007 were employed by Eversource Service, Eversource's service company, that provides support services to all Eversource operating companies. Approximately 49 percent of our employees are members of the International Brotherhood of Electrical Workers, the Utility Workers Union of America or The United Steelworkers, and are covered by various collective bargaining agreements.

**Safety.** At Eversource, our commitment to “Safety First and Always” is a principle and a mindset present in every job and every task, whether in the field, office or at home. A priority at Eversource is continuous improvement and safety is at the forefront as we continue to build a strong safety culture, embrace new technologies, and learn with our industry and community partners to improve safety performance. We provide safety training and perform field safety job observations of both internal and contractor crews with a focus on high-energy hazards. We use metrics such as Eversource Corporate Days Away Restricted Time (DART) and High Energy Field Observations, among others, to monitor safety performance. Our DART safety performance was 0.81 in 2023, measured by days away, restricted or transferred per 100 workers, using the DART-OSHAmethod of measurement.

**Diversity, Equity & Inclusion.** Our commitment to Diversity, Equity & Inclusion (DEI) is critical to building a diverse, empowered and engaged team that delivers superior service safely to our customers. A diverse workforce and inclusive culture contribute to our success and sustainability by driving innovation and creating trusted relationships with our employees, customers, suppliers, and community partners. We continue to identify and support many programs and agencies that address disparities in our communities and beyond. We also remain committed to developing a workforce that fully reflects the diversity of the people and communities we serve. Our hiring practices emphasize inclusion, and we encourage employees to embrace different people, perspectives, and experiences in our workplace and within our communities. Additionally, our leadership behaviors underscore the importance of creating inclusive teams, where employees’ voices and contributions are essential to delivering superior customer service.

Eversource continues to develop a diverse workforce and has DEI goals and initiatives for diversity in leadership promotions and new hires, diverse external hires, number of diverse applicants for jobs, key talent, workforce representation including female employees, diverse employees, and veteran hires, leadership engagement, community support and supplier spending. Eversource drives accountability for DEI progress throughout the company and executive compensation is linked to meeting these goals. We sustained our successful drive to increase workforce diversity in 2023 with 55.9% of our external hires being women and/or people of color and 48.1% percent of new hires and promotions into leadership roles being women and/or people of color.

Eversource’s executive leadership team promotes and supports DEI by building and leading diverse, inclusive work teams with high engagement. Leaders are committed to growing a pipeline of diverse talent, leveraging multiple perspectives to improve customer service, using diverse suppliers, and engaging with multicultural organizations in our communities. Our DEI council, business resource groups, and cross-functional pro-

equity advisory team, which developed equity guidelines and began to implement justice and equity training to all employees starting in 2022 and continuing into 2024, provide our leaders with valuable feedback on the impact of our DEI and environmental justice efforts.
Eversource's Board of Trustees is committed to diversity, equity and inclusion and receives regular monthly progress updates. The Corporate Governance, Environmental and Social Responsibility Committee of the Board of Trustees is responsible for the oversight of environmental, human capital management and social responsibility strategies, programs and policies. The Board of Trustees seeks diversity in gender, race, ethnicity and personal background when considering Trustee candidates.

**Compensation, Health and Wellness Benefits.** Eversource is committed to the health, safety and wellness of our employees. We provide competitive compensation and comprehensive benefit packages, including healthcare, life insurance, sick time and disability plans, death benefits, retirement plans (defined benefit pension plans or 401k Plan), an Employee Stock Purchase Plan, health savings and flexible spending accounts, paid time off, employee assistance programs, and tuition assistance, among many others. Eversource also provides wellness programs and benefits to encourage employees and their families to adopt and maintain healthy lifestyle habits. Eversource has established flexible work guidelines and offers hybrid work arrangements to employees in applicable positions.

**Talent Development, Training Programs and Education Opportunities.** Strategic workforce plans are developed every year as part of the annual business planning process to address immediate and long-range needs and to ensure that Eversource acquires, develops and retains diverse, capable talent. Eversource supports and develops its employees through training and development programs that build and strengthen employees' leadership and skill set. Employee development programs are aligned to our strategic workforce plan to support succession within all levels of the organization. Continuous professional development is important to support our employees' ongoing success. These professional development programs include leadership effectiveness programs designed to develop new and current supervisors; a talent management process to identify high potential and emerging talent and ensure their development; multiple early career development programs in Engineering, Transmission and Operations; educational and professional development opportunities for employees who are recent college graduates; tuition assistance program; paid internships and co-ops; and workforce development programs focused on building a talent pipeline for our technical craft roles.

We leverage educational partnerships in critical trade and technical areas and have developed proactive sourcing strategies to attract experienced workers in highly technical roles in engineering, electric and gas operations, and energy efficiency. As part of this process, Eversource identifies critical roles and develops succession plans to ensure we have a capable supply of talent for the future.

**Community & Social Impact.** Eversource and our employees support many nonprofit organizations and programs that make a positive difference in the lives of our customers and the communities that we serve. The Eversource Foundation provides grants to charitable organizations that help to make broad, meaningful, and sustainable change, with a focus on environmental justice and historically marginalized communities. Our employees also lend their time and talents to volunteer with charitable organizations that address local high-priority concerns and needs. Our goal at Eversource is to lend a hand to organizations that really make a difference in the communities where we live and work.

See Item 11, *Executive Compensation*, included in this Annual Report on Form 10-K, as well as our 2022 Sustainability Report and our 2022 Diversity, Equity and Inclusion Report located on our website, for more detailed information regarding our human capital programs and initiatives. Nothing on our website, including our Sustainability Report, our Diversity, Equity and Inclusion Report, or sections thereof, shall be deemed incorporated by reference into this Annual Report.

**INTERNET INFORMATION**

Our website address is www.eversource.com. We make available through our website a link to the SEC's EDGAR website (http://www.sec.gov/edgar/searchedgar/companysearch.html), at which site Eversource's, CL&P's, NSTAR Electric's and PSNH's combined Annual Reports on Form 10-K, combined Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports may be reviewed. Information contained on the Company's website or that can be accessed through the website is not incorporated into and does not constitute a part of this Annual Report on Form 10-K. Printed copies of these reports may be obtained free of charge by writing to our Investor Relations Department at Eversource Energy, 107 Selden Street, Berlin, CT06037.

**Item 1A. Risk Factors**

In addition to the matters set forth under "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995" included immediately prior to Item 1, *Business,* above, we are subject to a variety of material risks. Our susceptibility to certain risks, including those discussed in detail below, could exacerbate other risks. These risk factors should be considered carefully in evaluating our risk profile. There may be additional risks and uncertainties (either currently unknown or not currently believed to be material) that could adversely affect our financial position, results of operations, and cash flows.

**Cybersecurity Threats and Attacks:**

**Cyberattacks, including acts of war or terrorism, targeted directly on or indirectly affecting our systems or the systems of third parties on which we rely, could severely impair operations, negatively impact our business, lead to the disclosure of confidential information and adversely affect our reputation.**

Cyberattacks that seek to exploit potential vulnerabilities in the utility industry and seek to disrupt electric, natural gas and water transmission and distribution systems are increasing in sophistication, magnitude and frequency. Various geo-political conflicts and acts of war around the world continue to result in increased cyberattacks against critical infrastructure. A successful cyberattack on the information technology systems that control our transmission, distribution, natural gas and water systems or other assets could impair or prevent us from managing these systems and facilities, operating our systems effectively, or properly managing our data, networks and programs. The breach of certain information technology systems could adversely affect our ability to correctly record, process and report financial information. A major cyber incident could result in significant expenses to investigate and to repair system damage or security breaches and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation.

We have instituted safeguards to protect our information technology systems and assets. We deploy substantial technologies to system and application security, encryption and other measures to protect our computer systems and infrastructure from unauthorized access or misuse. Specifically, regarding vulnerabilities, we patch systems where patches are available to deploy, and have technologies that detect exploits of vulnerabilities and proactively block the exploit when it happens. We also interface with numerous external entities to improve our cybersecurity situational awareness. The FERC, through the North American Electric Reliability Corporation (NERC), requires certain safeguards to be implemented to deter cyberattacks. These safeguards may not always be effective due to the evolving nature of cyberattacks. We maintain cyber insurance to cover damages, potential ransom and defense costs related to breaches of networks or operational technology, but it may be insufficient in limits and coverage exclusions to cover all losses.

Any such cyberattacks could result in loss of service to customers and a significant decrease in revenues, which could have a material adverse impact on our financial position, results of operations and cash flows.

For further information, see Item 1C, *Cybersecurity* included in this Annual Report on Form 10-K.

**The unauthorized access to, and the misappropriation of, confidential and proprietary Company, customer, employee, financial or system operating information could adversely affect our business operations and adversely impact our reputation.**

In the regular course of business, we, and our third-party suppliers, rely on information technology to maintain sensitive Company, customer, employee, financial and system operating information. We are required by various federal and state laws to safeguard this information. Cyber intrusions, security breaches, theft or loss of this information by cybercrime or otherwise could lead to the release of critical operating information or confidential Company, customer or employee information, which could adversely affect our business operations or adversely impact our reputation, and could result in significant costs, fines and litigation. We employ system controls to prevent the dissemination of certain confidential information and periodically train employees on phishing risks. We maintain cyber insurance to cover damages, potential ransom and defense costs arising from unauthorized disclosure of, or failure to protect, private information, as well as costs for notification to, or for credit monitoring of, customers, employees and other persons in the event of a breach of private information. This insurance covers amounts paid to address a network attack or the disclosure of personal information, and costs of a qualified forensics firm to determine the cause, source and extent of a network attack or to investigate, examine and analyze our network to find the cause, source and extent of a data breach, but it may be insufficient to cover all losses. While we have implemented measures designed to prevent network attacks and mitigate their effects should they occur, these measures may not be effective due to the continually evolving nature of efforts to access confidential information.

**Offshore Wind Business Risk:**

**Our financial position and future results could be materially adversely affected if we are unable to sell our 50 percent interests in three offshore wind projects on the timelines, terms and pricing we expect, if we and the counterparties are unable to satisfy all closing conditions and consummate the purchase and sale transactions with respect to our offshore wind assets, if Sunrise Wind does not win in the OREC contract solicitation process, if we are unable to qualify for investment tax credits related to these projects, if we experience variability in the projected construction costs of the offshore wind projects, if there is a deterioration of market conditions in the offshore wind industry, and if the projects do not commence operation as scheduled or within budget or are not completed.**

Our offshore wind business includes 50 percent ownership interests in three jointly-owned offshore wind projects being developed and constructed. The development and construction of these offshore wind electric generation facilities involves numerous significant risks including meeting construction schedules, federal, state and local permitting and regulatory approval processes, scheduling or permitting delays, cost overruns, higher interest rates, tax strategies and changes to federal tax laws impacting the offshore wind partnership's ability to monetize tax attributes, new legislation impacting the industry, the cancellation of any projects, and actions of our strategic partner. Operational risks of these offshore wind electric generation facilities include maintaining continuing interconnection arrangements, power purchase agreements, or other market mechanisms, as well as interconnecting utility and Regional Transmission Organizations rules, policies, procedures and FERC tariffs that permit future offshore wind project operations, and capacity factors once projects are placed in operation. These risks could impact our offshore wind partnership's ability to generate returns from its offshore wind projects and result in lower investment returns.

We have entered into agreements to sell our interest in the three offshore wind projects, however we may be unable to complete the sales of these projects on the timelines and for the sales value we expect. If the ultimate sales value of our interest in these projects is lower than expected, or we are unable to sell our interests, it could have an adverse effect on our financial condition and results of operations. The sales agreements are subject to certain regulatory approvals as well as other conditions, and we may be unable to satisfy all closing conditions necessary to consummate the purchase and sale transactions. The purchaser of the Revolution Wind and South Fork Wind projects may be unable to reach a partnership agreement with Ørsted, which is a condition of closing that transaction. The sale of the Sunrise Wind project to Ørsted is dependent on the successful outcome of Sunrise Wind's re-bidding process of its OREC contract in the New York solicitation. If Sunrise Wind were to lose to a competing bid in the New York solicitation, then the existing OREC contract for Sunrise Wind will be cancelled according to the state's requirements, and Eversource and Ørsted's joint venture for Sunrise Wind will remain in place. That scenario could adversely impact the ability to sell the Sunrise Wind project in the future, and could result in the project to be abandoned. If the Sunrise Wind project were to be abandoned, there would be cancellation and other abandonment costs incurred, and those costs could be above amounts already assumed in our impairment evaluation and reflected in the current fair value on our balance sheet, which could have an adverse effect on our financial condition and results of operations.

Future cash flows resulting from the expected sales are also impacted by the ability to qualify the Revolution Wind project for investment tax credit adders, as included in the Inflation Reduction Act. Evaluating the project's qualifications to achieve these investment tax credit adders requires significant judgment, and we may be unable to meet these qualifications. Additionally, for Revolution Wind and South Fork Wind, there could be cost overruns on the projects through each project's respective commercial operation date, which would not be recovered in the expected sales price and other potential future payments to maintain transaction economics required of Eversource. Amounts incurred above those that have already been assumed in our impairment evaluation and reflected in the current fair value on our balance sheet would adversely impact our financial position, results of operations and cash flows.

These risks could adversely affect the ultimate value of the wind projects and result in an additional, significant impairment in a future period, which could have a material adverse effect on our financial condition and results of operations. Lower-than-expected sales prices, or the inability to sell the wind projects, could also result in liquidity issues, negatively impact certain of our financial metrics and operations plan, or could result in a downgrade in our credit rating, which could increase our cost of borrowing and cost of capital or restrict our ability to access the capital markets.

**Regulatory, Legislative and Compliance Risks:**

**The actions of regulators and legislators could result in outcomes that may adversely affect our earnings and liquidity.**

The rates that our electric, natural gas and water companies charge their customers are determined by their state regulatory commissions. These commissions also regulate the companies' accounting, operations, the issuance of certain securities and certain other matters. The FERC regulates the transmission of electric energy, the sale of electric energy at wholesale, accounting, issuance of certain securities and certain other matters, including reliability standards through the NERC. The regulatory process may be adversely affected by the political, regulatory and economic environment in the states in which we operate.

Under state and federal law, our electric, natural gas and water companies are entitled to charge rates that are sufficient to allow them an opportunity to recover their prudently incurred operating and capital costs and a reasonable rate of return on invested capital, to attract needed capital and maintain their financial integrity, while also protecting relevant public interests. Our electric, natural gas and water companies are required to engage in regulatory approval proceedings as a part of the process of establishing the terms and rates for their respective services. Each of these companies prepares and submits periodic rate filings with their respective state regulatory commissions for review and approval, which allows for various entities to challenge our current or future rates, structures or mechanisms and could alter or limit the rates we are allowed to charge our customers. These proceedings typically involve multiple parties, including governmental bodies and officials, consumer advocacy groups, and various consumers of energy, who have differing concerns. Any change in rates, including changes in allowed rate of return, are subject to regulatory approval proceedings that can be contentious, lengthy, and subject to appeal. This may lead to uncertainty as to the ultimate result of those proceedings. Established rates are also subject to subsequent prudency reviews by state regulators, whereby various portions of rates could be adjusted, subject to refund or disallowed, including cost recovery mechanisms. The ultimate outcome and timing of regulatory rate proceedings, or challenges to certain provisions in our distribution tariffs could have a significant effect on our ability to recover costs or earn an adequate return. Adverse decisions in our proceedings could adversely affect our financial position, results of operations and cash flows. We continue to experience challenges related to the regulatory environment in Connecticut with respect to our electric distribution, natural gas, and water businesses.

The federal, state and local political and economic environment currently has, and may in the future have, an adverse effect on regulatory decisions with negative consequences for us. These decisions may require us to cancel, reduce, or delay planned development activities or other planned capital expenditures or investments or otherwise incur costs that we may not be able to recover through rates. There can be no assurance that regulators will approve the recovery of all costs incurred by our electric, natural gas and water companies, including costs for construction, operation and maintenance, and storm restoration. The inability to recover a significant amount of operating costs could have an adverse effect on our financial position, results of operations, and cash flows. Changes to rates may occur at times different from when costs are incurred. Additionally, catastrophic events at other utilities could result in our regulators and legislators imposing additional requirements that may lead to additional costs for the companies. In addition to the risk of disallowance of incurred costs, regulators may also impose downward adjustments in a company's allowed ROE as well as assess penalties and fines. These actions would have an adverse effect on our financial position, results of operations and cash flows.

The FERC has jurisdiction over our transmission costs recovery and our allowed ROEs. If FERC changes its methodology on developing ROEs, there could be a negative impact on our results of operations and cash flows. Additionally, certain outside parties have filed four complaints against transmission-owning electric companies withinISO-NE alleging that our allowed ROEs are unjust and unreasonable. An adverse decision in any of these four complaints could adversely affect our financial position, results of operations and cash flows.

The FERC also has jurisdiction over our transmission rate incentives such as the regional transmission organization (RTO) participation ROE incentive adder, CWIP in rate base incentive and the abandoned plant incentive. If the FERC changes its policies regarding these incentives, there could be a negative impact on our financial position, results of operations and cash flows. Additionally, the FERC issued a Supplemental Notice of Proposed Rulemaking (NOPR) on Transmission Incentives that proposes to eliminate the existing RTO ROE incentive adder for utilities that have been participating in an RTO for more than three years. A FERC decision approving this proposal could adversely affect our financial position, results of operations and cash flows.

FERC's policy has encouraged competition for transmission projects, even within existing service territories of electric companies, as it looks to expand the transmission system to accommodate state and federal policy goals to utilize more renewable energy resources as well as to enhance reliability and resilience for extreme weather events. Implementation of FERC's goals, including within our service territories, may expose us to competition for construction of transmission projects, additional regulatory considerations, and potential delay with respect to future transmission projects, which may adversely affect our results of operations and lower rate base growth.

Changes in tax laws, as well as the potential tax effects of business decisions could negatively impact our business, results of operations, financial condition and cash flows.

**We are exposed to significant reputational risks, which make us vulnerable to increased regulatory oversight or other sanctions.**

Because utility companies, including our electric, natural gas and water utility subsidiaries, have large customer bases, they are subject to adverse publicity focused on the reliability of their distribution services and the speed with which they are able to respond to electric outages, natural gas leaks and similar interruptions caused by storm damage or other unanticipated events, including those related to climate change. Adverse publicity of this nature could harm our reputation and the reputation of our subsidiaries; may make state legislatures, utility commissions and other regulatory authorities less likely to view us in a favorable light; and may cause us to be subject to less favorable legislative and regulatory outcomes, legal claims or increased regulatory oversight. Unfavorable regulatory outcomes can include more stringent laws and regulations governing our operations, such as reliability and customer service quality standards or vegetation management requirements, as well as fines, penalties or other sanctions or requirements. Further, we rely upon purchased power and purchased natural gas supply from third parties to meet customers'ener gy requirements. Due to a variety of factors, including the inflationary economic environment, geo-political conflicts, and increased customer energy demand, the cost of energy supply in New England remains high. We also may be required to implement rolling blackouts by ISO-NE, the region's independent grid operator if enough capacity is not available in the area to meet peak demand needs. The significant supply cost increases, as well as any failure to meet customer energy requirements, could negatively impact the satisfaction of our customers and our customers' ability to pay their utility bills, which could have an adverse impact on our business, reputation, financial position, results of operations and cash flows.

Addressing any adverse publicity, regulatory scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of our business, on the morale and performance of our employees and on our relationships with respective regulators, customers and counterparties. We are unable to predict future legislative or regulatory changes, initiatives or interpretations or other legal proceedings, and there can be no assurance that we will be able to respond adequately to such actions. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on our financial position, results of operations and cash flows.

**Costs of compliance with environmental laws and regulations, including those related to climate change, may increase and have an adverse effect on our business and results of operations.**

Our subsidiaries' operations are subject to extensive and increasing federal, state and local environmental statutes, rules and regulations that govern, among other things, water quality (including treatment of PFAS (Per- and Polyfluoroalkyl Substances) and lead), water discharges, the management of hazardous material and solid waste, and air emissions. Compliance with these requirements requires us to incur significant costs relating to environmental permitting, monitoring, maintenance and upgrading of facilities, remediation, and reporting. For our water business, compliance with proposed water quality regulations, including those for PFAS and lead, could require the construction of facilities and replacement of customer lead service lines, respectively.

The costs of compliance with existing legal requirements or legal requirements not yet adopted may increase in the future. Although we have recorded liabilities for known environmental obligations, these costs can be difficult to estimate due to uncertainties about the extent of contamination, remediation alternatives, the remediation levels required by state and federal agencies, and the financial ability of other potentially responsible parties. An increase in such costs, unless promptly recovered, could have an adverse impact on our business and our financial position, results of operations and cash flows.

For further information, see Item 1, *Business– Other Regulatory and Environmental Matters*, included in this Annual Report on Form 10-K.

**Risks Related to the Environment and Catastrophic Events:**

**The effects of climate change, including severe storms, could cause significant damage to any of our facilities requiring extensive expenditures, the recovery for which is subject to approval by regulators.**

Climate change creates physical and financial risks to our operations. Physical risks from climate change may include an increase in sea levels and changes in weather conditions, such as changes in precipitation, extreme heat and extreme weather events. Customers'ener gy and water needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. For water customers, conservation measures imposed by the communities we serve could impact water usage. To the extent weather conditions are affected by climate change, customers'ener gy and water usage could increase or decrease depending on the duration and magnitude of the changes.

Severe weather induced by climate change, such as extreme and frequent ice and snow storms, tornadoes, micro-bursts, hurricanes, floods, droughts, wildfires, and other natural disasters, may cause outages and property damage, which may require us to incur additional costs that may not be recoverable from customers. The cost of repairing damage to our operating subsidiaries' facilities and the potential disruption of their operations due to storms, natural disasters or other catastrophic events could be substantial, particularly as regulators and customers demand better and quicker response times to outages. If, upon review, any of our state regulatory authorities finds that our actions were imprudent, some of those restoration costs may not be recoverable from customers and could result in penalties or fines. The inability to recover a significant amount of such costs could have an adverse effect on our financial position, results of operations and cash flows. We maintain property insurance, but it may be insufficient in limits and coverage exclusions to cover all losses. Additionally, these types of weather events risk interruption of the supply chain and could disrupt the delivery of goods and services required for our operations.

**Transitional impacts related to climate change may have an adverse effect on our business and results of operations due to costs associated with new technologies, evolving customer expectations and changing workforce needs.**

Initiatives to mitigate the impacts of climate change, support a transition to cleaner energy, and reduce emissions, may have a material adverse financial impact to our business. These impacts include the costs associated with the development and implementation of new technologies to maintain system reliability and resiliency and lower emissions, including grid modernization and energy storage. An increase in such costs, unless promptly recovered, could have an adverse impact on our financial position, results of operations and cash flows. There may also be financial and reputational risks if we fail to meet evolving customer expectations, including enabling the integration of residential renewables and providing low carbon solutions, such as electric vehicle infrastructure and energy efficiency services. Additionally, actions to mitigate climate change may result in a transition in our workforce that must adapt to meet the need for new job skills. Associated costs include training programs for existing employees and workforce development as we transition to new technologies and clean energy solutions.

**Adequacy of water supplies and contamination of our water supplies, the failure of dams on reservoirs providing water to our customers, or requirements to repair, upgrade or dismantle any of these dams, may disrupt our ability to distribute water to our customers and result in substantial additional costs, which could adversely affect our financial position, results of operations and cash flows.**

Our water business faces an inherent strategic risk related to adequacy of supply (i.e., water scarcity). Water scarcity risk is heightened by multiple factors. We expect that climate change will cause both an increase in demand due to increasing temperatures and a potential for a decrease of available supply due to shifting rainfall and recharge patterns. Regulatory constraints also present challenges to permit new sources of supply in the region. In Connecticut, where the vast majority of our dams are located, impounded waterways are required to release minimum downstream flow. New regulations are being phased into effect over the next one to five years that will increase the volume of downstream releases required across our Connecticut service territory, depleting the volume of supply in storage that is used to meet customer demands. This combination of factors may cause an increased likelihood of drought emergencies and water use restrictions that could adversely affect our ability to provide water to our customers, and reputational/brand damage that could negatively impact our water business.

Our water supplies, including water provided to our customers, are also subject to possible contamination from naturally occurring compounds and elements or non-organic substances, including PFAS and lead. Our water systems include impounding dams and reservoirs of various sizes. Although we believe our dams are structurally sound and well-maintained, significant damage to these facilities, or a significant decrease in the water in our reservoirs, could adversely affect our ability to provide water to our customers until the facilities and a sufficient amount of water in our reservoirs can be restored. A failure of a dam could result in personal injuries and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers. Any losses or liabilities incurred due to a failure of one of our dams may not be recoverable in rates and may have a material adverse effect on our financial position, results of operations and cash flows. We maintain liability insurance, but it may be insufficient in limits and coverage exclusions to cover all losses.

**Physical attacks, including acts of war or terrorism, both threatened and actual, could adversely affect our ability to operate our systems and could adversely affect our financial results and liquidity.**

Physical attacks, including acts of war or terrorism, both threatened and actual, that damage our transmission and distribution systems or other assets could negatively impact our ability to transmit or distribute energy, water, natural gas, or operate our systems efficiently or at all. Because our electric transmission systems are part of an interconnected regional grid, we face the risk of widespread blackouts due to grid disturbances or disruptions on a neighboring interconnected system. Similarly, our natural gas distribution system is connected to transmission pipelines not owned by Eversource. If there was an attack on the transmission pipelines, it could impact our ability to deliver natural gas. If our assets were physically damaged and were not recovered in a timely manner, it could result in a loss of service to customers, a significant decrease in revenues, significant expense to repair system damage, costs associated with governmental actions in response to such attacks, and liability claims, all of which could have a material adverse impact on our financial position, results of operations and cash flows. We maintain property and liability insurance, but it may be insufficient in limits and coverage exclusions to cover all losses. In addition, physical attacks against third-party providers could have a similar effect on the operation of our systems.

**Business and Operational Risks:**

**Strategic development or investment opportunities in electric transmission, distributed generation, or clean-energy technologies may not be successful, which could have a material adverse effect on our business prospects.**

We are pursuing investment opportunities in electric transmission facilities, distributed generation and other clean-energy infrastructure, including interconnection facilities. The development of these projects involve numerous significant risks including federal, state and local permitting and regulatory approval processes, scheduling or permitting delays, increased costs, tax strategies and changes to federal tax laws, new legislation impacting the industry, economic events or factors, environmental and community concerns, design and siting issues, difficulties in obtaining required rights of way, and competition from incumbent utilities and other entities. Also, supply constraints in New England have ledto significant increases in commodity costs which may impact our ability to accomplish our strategic objectives. Further, regional clean energy goals may not be achievedif local, state, and federal policy is not in alignment with integrated planning of our infrastructureinvestments.

**Our transmission and distribution systems may not operate as expected, and could require unplanned expenditures, which could adversely affect our financial position, results of operations and cash flows.**

Our ability to properly operate our transmission and distribution systems is critical to the financial performance of our business. Our transmission and distribution businesses face several operational risks, including the breakdown, failure of, or damage to operating equipment, information technology systems, or processes, especially due to age; labor disputes; disruptions in the delivery of electricity, natural gas and water; increased capital expenditure requirements, including those due to environmental regulation; catastrophic events resulting from equipment failures such as wildfiresand explosions, or external events such as a solar event, an electromagnetic event, or other similar occurrences; increasingly severe weather conditions due to climate change beyond equipment and plant design capacity; human error; global supply chain disruptions; and potential claims for property damage or personal injuries beyond the scope of our insurance coverage. Many of our transmission projects are expected to alleviate identified reliability issues and reduce customers' costs. However, if the in-service date for one or more of these projects is delayed due to economic events or factors, or regulatory or other delays, including permitting and siting, the risk of failures in the electric transmission system may increase. We also implement new information technology systems from time to time, which may disrupt operations. Any failure of our transmission and distribution systems to operate as planned may result in increased capital costs, reduced earnings or unplanned increases in operations and maintenance costs. The inability to recover a significant amount of such costs could have an adverse effect on our financial position, results of operations and cash flows.

**New technology and alternative energy sources could adversely affect our operations and financial results.**

Advances in technology that reduce the costs of alternative methods of producing electric energy to a level that is competitive with that of current electric production methods, could result in loss of market share and customers, and may require us to make significant expenditures to remain competitive. These changes in technology, including micro-grids and advances in energy or battery storage, could also alter the channels through which electric customers buy or utilize energy, which could reduce our revenues or increase our expenses. Economic downturns or periods of high energy supply costs typically can lead to the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self-generation by customers. Additionally, in response to risks posed by climate change, we may need to make investments in our system including upgrades or retrofits to meet enhanced design criteria, which can incur additional costs over conventional solutions.

**We rely on third-party suppliers for equipment, materials, and services and we outsource certain business functions to third-party suppliers and service providers, and substandard performance or inability to fulfill obligations by those third parties could harm our business, reputation and results of operations.**

We outsource certain services to third parties in areas including information technology, transaction processing, human resources, payroll and payroll processing and certain operational areas. Outsourcing of services to third parties could expose us to substandard quality of service delivery or substandard deliverables, which may result in missed deadlines or other timeliness issues, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, which could negatively impact our results of operations. Our contractual arrangements with these contractors typically include performance standards, progress payments, insurance requirements and security for performance. The global supply chain of goods and services remains volatile, and as a result, we are seeing delivery delays of certain goods, particularly certain types of transformers. If significant difficulties in the global supply chain cycle or inflationary impacts were to worsen, they could adversely affect our results of operations, or adversely affect our ability to work with regulators, unions, customers or employees.

**The loss of key personnel, the inability to hire and retain qualified employees, or the failure to maintain a positive relationship with our workforce could have an adverse effect on our business, financial position and results of operations.**

Our operations depend on the continued efforts of our employees. Retaining key employees and maintaining the ability to attract new employees are important to both our operational and financial performance. We cannot guarantee that any member of our management or any key employee at the Eversource parent or subsidiary level will continue to serve in any capacity for any particular period of time. Our workforce in our subsidiaries includes many workers with highly specialized skills maintaining and servicing the electric, natural gas and water infrastructure that cannot be quickly replaced due to the technically complex work they perform. We have developed strategic workforce plans to identify key functions and proactively implement plans to assure a ready and qualified workforce, but we cannot predict the impact of these plans on our ability to hire and retain key employees. Labor disputes, work stoppages or an inability to negotiate future collective bargaining agreements on commercially reasonable terms, as well as the increased competition for talent or the intentional misconduct of employees or contractors, may also have an adverse effect on our business, financial position and results of operations.

**Financial, Economic, and Market Risks:**

**Limits on our access to, or increases in, the cost of capital may adversely impact our ability to execute our business plan.**

We use short-term debt and the long-term capital markets as a significant source of liquidity and funding for capital requirements not obtained from our operating cash flow. If access to these sources of liquidity becomes constrained, our ability to implement our business strategy could be adversely affected. In addition, interest rates have increased and may continue to increase in the future. As a result, interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly, which could adversely impact our financial position, results of operations and cash flows. A downgrade of our credit ratings or events beyond our control, such as a disruption in global capital and credit markets, could increase our cost of borrowing and cost of capital or restrict our ability to access the capital markets and negatively affect our ability to maintain and to expand our businesses.

**Market performance or changes in assumptions may require us to make significant contributions to our pension and other postretirement benefit plans.**

We provide a defined benefit pension plan and other postretirement benefits for a substantial number of employees, former employees and retirees. Our future pension obligations, costs and liabilities are highly dependent on a variety of factors, many of which are beyond our control. These factors include estimated investment returns, interest rates, discount rates, health care cost trends, benefit changes, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs could increase significantly. In addition, various factors, including underperformance of plan investments and changes in law or regulation, could increase the amount of contributions required to fund our pension plan in the future. Additional large funding requirements, when combined with the financing requirements of our construction program, could impact the timing, amounts, and number of future financings and negatively affect our financial position, results of operations and cash flows.

**Goodwill, investments in equity method investments, and long-lived assets if impaired and written down, could adversely affect our future operating results and total capitalization.**

We have a significant amount of goodwill on our consolidated balance sheet, which, as of December 31, 2023, totaled $4.53billion. The carrying value of goodwill represents the fair value of an acquired business in excess of the fair value of identifiable assets and liabilities as of the acquisition date. We test our goodwill balances for impairment on an annual basis or whenever events occur, or circumstances change that would indicate a potential for impairment. A determination that goodwill is deemed to be impaired would result in a non-cash charge that could materially adversely affect our financial position, results of operations and total capitalization.

We assess our investments (recorded as either long-lived assets or equity method investments) for impairment whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable. To the extent the value of the investment becomes impaired, the impairment charge could have a material adverse effect on our financial condition and results of operations.

**Our counterparties may not meet their obligations to us or may elect to exercise their termination rights, which could adversely affect our earnings.**

We are exposed to the risk that counterparties to various arrangements that owe us money, have contracted to supply us with energy or other commodities or services, or that work with us as strategic partners, including on significant capital projects, will not be able to perform their obligations, will terminate such arrangements or, with respect to our credit facilities, fail to honor their commitments. Should any of these counterparties fail to perform their obligations or terminate such arrangements, we might be forced to replace the underlying commitment at higher market prices and/or have to delay the completion of, or cancel, a capital project. Should any lenders under our credit facilities fail to perform, the level of borrowing capacity under those arrangements could decrease. In any such events, our financial position, results of operations, or cash flows could be adversely affected.

**As a holding company with no revenue-generating operations, Eversource parent's liquidity is dependent on dividends from its subsidiaries, its commercial paper program, and its ability to access the long-term debt and equity capital markets.**

Eversource parent is a holding company and as such, has no revenue-generating operations of its own. Its ability to meet its debt service obligations and to pay dividends on its common shares is largely dependent on the ability of its subsidiaries to pay dividends to, or repay borrowings from, Eversource parent, and/or Eversource parent's ability to access its commercial paper program or the long-term debt and equity capital markets. Prior to funding Eversource parent, the subsidiary companies have financial obligations that must be satisfied, including among others, their operating expenses, debt service, preferred dividends of certain subsidiaries, and obligations to trade creditors. Should the subsidiary companies not be able to pay dividends or repay funds due to Eversource parent, or if Eversource parent cannot access its commercial paper programs or the long-term debt and equity capital markets, Eversource parent's ability to pay interest, dividends and its own debt obligations would be restricted.

## Item 1B. Unresolved Staff Comments

We do not have any unresolved SEC staff comments.

## Item 1C. Cybersecurity

The Company’s policies, practices and technologies allow it to protect its information systems and operational assets from threats. The Board of Trustees and its Finance and Audit Committees continue to provide substantial and focused attention to cyber and system security. The Finance Committee of the Board of Trustees is responsible for oversight of the Company’s enterprise-wide risks, including risks associated with cyber and physical security, and the Company’s programs and practices to monitor and mitigate these risks.

Management prepares comprehensive cyber security reports that are discussed at each meeting of the Finance Committee. The reports focus on the changing threat landscape and the risks to the Company, describe Eversource’s cyber security drills and exercises, attempted and actual breaches on our systems, cyber incidents within the utility industry and around the world, and mitigation strategies. In addition, third-party experts of cyber security risks provide periodic assessments to the utility industry and the Company in particular to the Finance Committee. The Company regularly reviews and updates its cyber and system security programs, and the Finance Committee continues to enhance its robust oversight activities, including meetings with financial, information technology, legal and accounting management, other members of the Board, representatives of the Company’s independent registered public accounting firm, and outside advisors and experts in cyber security risks, at which cyber and system security programs and issues that might affect the Company’s financial statements and operational systems are discussed.

The Company has a robust Enterprise Risk Management Program which has identified cyber security as a top enterprise risk. The managing and monitoring of risks are the responsibility of the Company’s Risk Committee, which meets quarterly and is chaired by the Chief Financial Officer.

The Company is committed to continuous monitoring and assessment of cyber security controls. The Chief Information Security Officer is responsible for developing, implementing, and enforcing our cyber security program and information security policies to protect the Company’s information systems and operational assets. The Chief Information Security Officer position requires at least 15 years of relevant information security experience and relevant security certifications. The Chief Information Security Officer reports directly to the Chief Information Officer and provides regular updates to the executive management team. Our Chief Information Security Officer has over 20 years of relevant experience.

The Company created a Cyber Governance Committee, which includes the Chief Information Security Officer, Chief Information Technology Officer, Chief Accounting Officer, members of the executive management team, and other assurance functions such as Corporate Compliance, Enterprise Risk Management, and Internal Audit.

To assess, identify and manage material risks from cybersecurity threats and to prevent, detect, mitigate and remediate a cyber security or ransomware incident, the following key processes and programs have been implemented and are performed by the Company’s Cyber Security Group, which is overseen by the Chief Information Security Officer:

- Implementation of security solutions and standards based on industry best practices to prevent unauthorized access. The Company’s cyber program has been modeled after the National Institute of Standards and Technology framework; a widely accepted framework utilized by critical infrastructure industries.
- Periodic external assessments, including outside system access testing, are performed. Rigorous auditing of all safeguards is performed on a regular basis. Risk assessments are held to identify and address new and changing risks to protect systems and sensitive data. Identified areas are monitored and improvements are implemented.
- Eversource participates in information sharing programs both within and outside the utility industry, including with the U.S. government and industry organizations, to be able to identify and respond to emerging threats.
- The Company maintains current incident response and business continuity plans, which are periodically updated and tested.
- Network activity is monitored on an ongoing basis.
- Anti-phishing and malware tools are utilized and assessed.
- Employees are trained to recognize phishing attempts and are periodically tested. Results of phishing testing are benchmarked against other companies both within and outside the utility industry.

Specific to third parties, Eversource has implemented formal screening processes for any applicable vendors by the Company's Cyber Security Group as part of the Procurement process. The vendors are risk ranked based on the type of work being performed. Periodic rescreening is performed on critical vendors. Vendors are required to attest to their business continuity programs and provide evidence of appropriate insurance and indemnification agreements. The Company bars sourcing from countries included on the Department of Homeland Security's list of Prohibited Nations to further protect the Company's supply chain. The Company maintains cyber insurance which covers breaches of networks and operational technology. Our existing insurance limits may be inadequate to cover a material cyber incident. This could expose us to potentially significant claims and damages.

As of December 31, 2023, there were no risks from cybersecurity threats, including due to any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, its business strategy, results of operations, or financial condition.

**Item 2. Properties**

**Transmission and Distribution System**

As of December 31, 2023, Eversource and our electric operating subsidiaries owned the following:

| Eversource | Electric Distribution | Electric Transmission |
|---|---|---|
| Number of substations owned | 455 | 76 |
| Transformer capacity (in kVa) | 47,706,000 | 16,222,000 |
| Overhead lines (in circuit miles) | 40,673 | 3,992 |
| Underground lines (in circuit miles) | 18,119 | 423 |
| Capacity range of overhead transmission lines (in kV) | N/A | 69 to 345 |
| Capacity range of underground transmission lines (in kV) | N/A | 69 to 345 |

| | CL&P | | NSTAR Electric | | PSNH | |
|---|---|---|---|---|---|---|
| | Distribution | Transmission | Distribution | Transmission | Distribution | Transmission |
| Number of substations owned | 157 | 21 | 174 | 30 | 124 | 25 |
| Transformer capacity (in kVa) | 21,850,000 | 3,184,000 | 21,420,000 | 8,688,000 | 4,436,000 | 4,350,000 |
| Overhead lines (in circuit miles) | 16,738 | 1,679 | 11,619 | 1,260 | 12,316 | 1,053 |
| Underground lines (in circuit miles) | 6,884 | 143 | 9,135 | 277 | 2,100 | 3 |
| Capacity range of overhead transmission lines (in kV) | N/A | 69 to 345 | N/A | 69 to 345 | N/A | 115 to 345 |
| Capacity range of underground transmission lines (in kV) | N/A | 69 to 345 | N/A | 115 to 345 | N/A | 115 |

| | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| Underground and overhead line transformers in service | 638,464 | 293,942 | 173,705 | 170,817 |
| Aggregate capacity (in kVa) | 39,360,574 | 16,730,938 | 15,327,341 | 7,302,295 |

**Electric Generating Plants**

As of December 31, 2023, NSTAR Electric owned the following solar power facilities:

| Type of Plant | Number of Sites | Year Installed | Capacity (kilowatts, dc) |
|---|---|---|---|
| Solar Fixed Tilt, Photovoltaic | 22 | 2010 - 2019 | 70,000 |

CL&P and PSNH do not own any electric generating plants.

**Natural Gas Distribution System**

As of December 31, 2023, NSTAR Gas owned 22 active gate stations, 147 district regulator stations, and approximately 3,330 miles of natural gas main pipeline. Hopkinton, another subsidiary of Eversource, owns a satellite vaporization plant and above ground storage tanks in Acushnet, Massachusetts (0.5 Bcf of natural gas). In addition, Hopkinton owns a liquefaction and vaporization plant with above ground storage tanks in Hopkinton, Massachusetts (3.0 Bcf of natural gas). Combined, the two plants' tanks have an aggregate storage capacity equivalent to 3.5 Bcf of natural gas that is provided to NSTAR Gas under contract.

As of December 31, 2023, EGMA owned 14 active gate stations, 191 district regulator stations, and approximately 5,033 miles of natural gas main pipeline. Hopkinton, another subsidiary of Eversource, owns liquefaction and vaporization plants and above ground storage tanks at four locations throughout Massachusetts with an aggregate storage capacity equivalent to 1.8 Bcf of natural gas. In addition, Hopkinton owns three propane peak shaving plants at three locations throughout Massachusetts with an aggregate storage capacity equivalent to 0.1 Bcf. Combined, these seven plants have an aggregate storage capacity equivalent to 1.9 Bcf of natural gas that is provided to EGMAunder contract.

As of December 31, 2023, Yankee Gas owned 28 active gate stations, 200 district regulator stations, and approximately 3,540 miles of natural gas main pipeline. Yankee Gas also owns a liquefaction and vaporization plant and above ground storage tank with a storage capacity equivalent of 1.2 Bcf of natural gas in Waterbury, Connecticut.

**Natural Gas Transmission System**

As of December 31, 2023, NSTAR Gas owned 0.65 miles of intrastate transmission natural gas pipeline. NSTAR Gas reclassified 0.35 miles of transmission pipeline from 49 CFR 192 Pipeline regulated to 49 CFR 193 LNG regulated at the Hopkinton LNG facility. As of December 31, 2023, EGMA did not own any miles of intrastate transmission natural gas pipeline. EGMA replaced its last remaining 0.5 miles of transmission pipeline. The replacement pipeline was designed and engineered to be Distribution class.

**Water Distribution System**

Aquarion's properties consist of water transmission and distribution mains and associated valves, hydrants and service lines, water treatment plants, pumping facilities, wells, tanks, meters, dams, reservoirs, buildings, and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage, and distribution of water.

As of December 31, 2023, Aquarion owned and operated sources of water supply with a combined yield of approximately 135 million gallons per day; 3,802 miles of transmission and distribution mains; 10 surface water treatment plants; 36 dams; and 119 wellfields.

**Franchises**

**CL&P** Subject to the power of alteration, amendment or repeal by the General Assembly of Connecticut and subject to certain approvals, permits and consents of public authority and others prescribed by statute, CL&P has, subject to certain exceptions not deemed material, valid franchises free from burdensome restrictions to provide electric transmission and distribution services in the respective areas in which it is now supplying such service.

In addition to the right to provide electric transmission and distribution services as set forth above, the franchises of CL&P include, among others, limited rights and powers, as set forth under Connecticut law and the special acts of the General Assembly constituting its charter, to manufacture, generate, purchase and/or sell electricity at retail, including to provide Standard Service, Supplier of Last Resort service and backup service, to sell electricity at wholesale and to erect and maintain certain facilities on public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. The franchises of CL&P include the power of eminent domain. Connecticut law prohibits an electric distribution company from owning or operating generation assets. However, under "An Act Concerning Electricity and Energy Efficiency," enacted in 2007, an electric distribution company, such as CL&P, is permitted to purchase an existing electric generating plant located in Connecticut that is offered for sale, subject to prior approval from PURA and a determination by PURA that such purchase is in the public interest.

**NSTAR Electric** Through its charter, which is unlimited in time, NSTAR Electric has the right to engage in the business of delivering and selling electricity within its respective service territory, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon electric companies under Massachusetts laws. The locations in public ways for electric transmission and distribution lines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases, the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, no other entity may provide electric delivery service to retail customers within NSTAR Electric service territory without the written consent of NSTAR Electric. This consent must be filed with the DPU and the municipality so affected. The franchises of NSTAR Electric include the power of eminent domain, obtained through application to the DPU.

Massachusetts restructuring legislation defines service territories as those territories actually served on July 1, 1997 and following municipal boundaries to the extent possible. The restructuring legislation further provides that until terminated by law or otherwise, distribution companies shall have the exclusive obligation to serve all retail customers within their service territories and no other person shall provide distribution service within such service territories without the written consent of such distribution companies.

**PSNH** The NHPUC, pursuant to statutory requirements, has issued orders granting PSNH exclusive franchises to distribute electricity in the respective areas in which it is now supplying such service.

In addition to the right to distribute electricity as set forth above, the franchises of PSNH include, among others, rights and powers to manufacture, generate, purchase, and transmit electricity, to sell electricity at wholesale to other utility companies and municipalities and to erect and maintain certain facilities on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. PSNH's status as a public utility gives it the ability to petition the NHPUC for the right to exercise eminent domain for distribution services and for transmission eligible for regional cost allocation.

PSNH is also subject to certain regulatory oversight by the Maine Public Utilities Commission and the Vermont Public Utility Commission.

**NSTAR Gas** Through its charter, which is unlimited in time, NSTAR Gas has the right to engage in the business of delivering and selling natural gas within its respective service territory, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon natural gas companies under Massachusetts laws. The locations in public ways for natural gas distribution pipelines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases, the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, no other entity may provide natural gas delivery service to retail customers within the NSTAR Gas service territory without the written consent of NSTAR Gas. This consent must be filed with the DPU and the municipality so affected.

**EGMA** Through its charter, which is unlimited in time, EGMA has the right to engage in the business of delivering and selling natural gas within its respective service territory, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon natural gas companies under Massachusetts laws. The locations in public ways for natural gas distribution pipelines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases, the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, no other entity may provide natural gas delivery service to retail customers within the EGMA service territory without the written consent of EGMA. This consent must be filed with the DPU and the municipality so affected.

**Yankee Gas** Yankee Gas holds valid franchises to sell natural gas in the areas in which Yankee Gas supplies natural gas service. Generally, Yankee Gas holds franchises to serve customers in areas designated by those franchises as well as in most other areas throughout Connecticut so long as those areas are not occupied and served by another natural gas utility under a valid franchise of its own or are not subject to an exclusive franchise of another natural gas utility or by consent. Yankee Gas' franchises are perpetual but remain subject to the power of alteration, amendment or repeal by the General Assembly of the State of Connecticut, the power of revocation by PURA and certain approvals, permits and consents of public authorities and others prescribed by statute. Generally, Yankee Gas' franchises include, among other rights and powers, the right and power to manufacture, generate, purchase, transmit and distribute natural gas and to erect and maintain certain facilities on public highways and grounds, and the right of eminent domain, all subject to such consents and approvals of public authorities and others as may be required by law.

**Aquarion Water Company of Connecticut and The Torrington Water Company** AWC-CTand The Torrington Water Company derive their rights and franchises to operate from special acts of the Connecticut General Assembly and subject to certain approvals, permits and consents of public authority and others prescribed by statute and by its charter, they have, with minor exceptions, solid franchises free from burdensome restrictions and unlimited as to time, and are authorized to sell potable water in the towns (or parts thereof) in which water is now being supplied by AWC-CTand The Torrington Water Company.

In addition to the right to sell water as set forth above, the franchises of AWC-CTand The Torrington Water Company include rights and powers to erect and maintain certain facilities on public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. Under the Connecticut General Statutes, AWC-CTand The Torrington Water Company may, upon payment of compensation, take and use such lands, springs, streams or ponds, or such rights or interests therein as the Connecticut Superior Court, upon application, may determine is necessary to enable AWC-CTand The Torrington Water Company to supply potable water for public or domestic use in its franchise areas.

**Aquarion Water Company of Massachusetts** Through its charters, which are unlimited in time, AWC-MA has the right to engage in the business of distributing and selling water within its service territories, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon water companies under Massachusetts laws. AWC-MA has the right to construct and maintain its mains and distribution pipes in and under any public ways and to take and hold water within its respective service territories. Subject to DPU regulation, AWC-MA has the right to establish and fix rates for use of the water distributed and to establish reasonable regulations regarding the same. Certain of the towns within our service area have the right, at any time, to purchase the corporate property and all rights and privileges of AWC-MA according to pricing formulas and procedures specifically described in AWC-MA's respective charters and in compliance with Massachusetts law.

**Aquarion Water Company of New Hampshire and Abenaki Water Company** The NHPUC, pursuant to statutory law, has issued orders granting and affirming AWC-NH’s and Abenaki Water Company’s exclusive franchises to own, operate, and manage plant and equipment and any part of the same, for the conveyance of water for the public located within its franchise territory. AWC-NH’s franchise territory encompasses the towns of Hampton, North Hampton, Rye and a limited portion of Stratham. Abenaki Water Company’s franchises extend to the boundaries of the water systems in the towns of Belmont, Bow, Carroll, and Gilford. Subject to NHPUC’s regulations, AWC-NH and Abenaki have the right to establish and fix rates for use of the water distributed and to establish reasonable regulations regarding the same.

In addition to the right to provide water supply, the franchise also allows AWC-NH and Abenaki to sell water at wholesale to other water utilities and municipalities and to construct plant and equipment and maintain such plant and equipment on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law.

AWC-NH's and Abenaki’s status as regulated public utilities gives them the ability to petition the NHPUC for the right to exercise eminent domain for the establishment of plant and equipment. They can also petition the NHPUC for exemption from the operation of any local ordinance when certain utility structures are reasonably necessary for the convenience or welfare of the public and the local conditions, and, if the purpose of the structure relates to water supply withdrawal, the exemption is recommended by the New Hampshire Department of Environmental Services.

**Item 3. Legal Proceedings**

We are involved in legal, tax and regulatory proceedings regarding matters arising in the ordinary course of business. For information regarding material lawsuits and proceedings, see Note 13, “Commitments and Contingencies,” of the Combined Notes to Financial Statements.

In addition, see Item 1, *Business:* "– Electric Distribution Segment," "– Electric Transmission Segment," "– Natural Gas Distribution Segment," and "– Water Distribution Segment" for information about various state and federal regulatory and rate proceedings, civil lawsuits related thereto, and information about proceedings relating to power, transmission and pricing issues; "– Nuclear Fuel Storage" for information related to nuclear waste; and "– Other Regulatory and Environmental Matters" for information about toxic substances and hazardous materials, climate change, and other matters. In addition, see Item 1A, *Risk Factors*, for general information about several significant risks.

**Item 4. Mine Safety Disclosures**

Not applicable.

**INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

The following sets forth the executive officers of Eversource Energy as of February 14, 2024. All of Eversource Energy’s officers serve terms of one year and until their successors are elected and qualified.

| Name | Age | Title |
|---|---|---|
| Joseph R. Nolan, Jr. | 60 | Chairman of the Board, President, Chief Executive Officer and a Trustee |
| John M. Moreira | 62 | Executive Vice President, Chief Financial Officer and Treasurer |
| Gregory B. Butler | 66 | Executive Vice President and General Counsel |
| Paul Chodak III | 60 | Executive Vice President and Chief Operating Officer |
| Penelope M. Conner | 60 | Executive Vice President-Customer Experience and Energy Strategy |
| James W. Hunt, III | 52 | Executive Vice President-Corporate Relations and Sustainability and Secretary |
| Susan Sgroi | 59 | Executive Vice President-Human Resources and Information Technology |
| Jay S. Buth | 54 | Vice President, Controller and Chief Accounting Officer |

*Joseph R. Nolan, Jr.*Mr . Nolan has served as Chairman of the Board of Eversource Energy since January 1, 2023, and has served as President and Chief Executive Officer and a Trustee of Eversource Energy since 2021. Previously, Mr. Nolan served as Executive Vice President-Strategy, Customer and Corporate Relations of Eversource Energy from February 5, 2020 until May 5, 2021, and as Executive Vice President-Customer and Corporate Relations of Eversource Energy from August 8, 2016 to February 5, 2020. Based on his experience as described, Mr. Nolan has the skills and qualifications necessary to serve as a Trustee of Eversource Energy.

*John M. Moreira.* Mr. Moreira has served as Executive Vice President, Chief Financial Officer and Treasurer of Eversource Energy since May 4, 2022. He previously served as Senior Vice President-Financial and Regulatory and Treasurer of Eversource Energy from September 12, 2018 until May 4, 2022.

*Gregory B. Butler*. Mr. Butler has served as General Counsel of Eversource Energy since May 1, 2001. He has served as Executive Vice President of Eversource Energy since August 8, 2016.

*Paul Chodak III.* Mr. Chodak has served as Executive Vice President and Chief Operating Officer of Eversource Energy since November 13, 2023. Previously, Mr. Chodak served as Executive Vice President – Generation of American Electric Power Company, Inc. (“AEP”) from January 1, 2019 until September 15, 2023, and as Executive Vice President – Utilities of AEP from January 1, 2017 until December 31, 2018.

*Penelope M. Conner.* Ms. Conner has served as Executive Vice President-Customer Experience and Energy Strategy of Eversource Energy since May 5, 2021. Previously, Ms. Conner served as Senior Vice President and Chief Customer Officer of Eversource Service from March 2, 2013 until May 5, 2021.

*James W. Hunt, III.* Mr. Hunt has served as Executive Vice President-Corporate Relations and Sustainability of Eversource Energy since May 5, 2021 and as Secretary of Eversource Energy since July 9, 2021. Previously Mr. Hunt served as Senior Vice President-Communications, External Affairs and Sustainability of Eversource Service from December 17, 2019 until May 5, 2021 and as Senior Vice President-Regulatory Affairs and Chief Communications Officer of Eversource Service from October 3, 2016 until December 17, 2019.

*Susan Sgroi.* Ms. Sgroi has served as Executive Vice President-Human Resources and Information Technology of Eversource Energy since January 8, 2024. Previously, Ms. Sgroi served as Executive Vice President and Chief Human Resources Officer of Blue Cross and Blue Shield of Massachusetts from 2015 until October 31, 2023.

*Jay S. Buth.*Mr . Buth has served as Vice President, Controller and Chief Accounting Officer of Eversource Energy since April 10, 2012.

**PART II**

**Item 5. Market for the Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

(a) Market Information

Our common shares are listed on the New York Stock Exchange. The ticker symbol is "ES." There is no established public trading market for the common stock of CL&P, NSTAR Electric and PSNH. All of the common stock of CL&P, NSTAR Electric and PSNH is held solely by Eversource.

(b) Holders

As of January 31, 2024, there were 29,025 registered common shareholders of our company on record. As of the same date, there were a total of 349,687,183 shares outstanding.

(c) Dividends

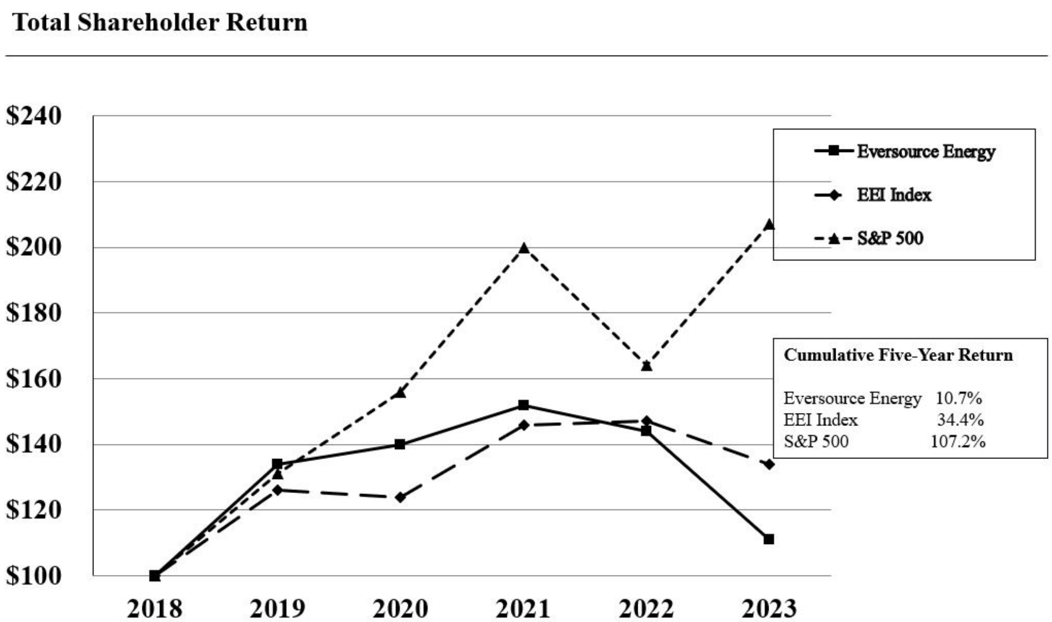
Information with respect to dividends and dividend restrictions for Eversource, CL&P, NSTAR Electric and PSNH is contained in Item 8, *Financial Statements and Supplementary Data*, in the *Combined Notes to Financial Statements*, within this Annual Report on Form 10-K.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under equity compensation plans, see Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, included in this Annual Report on Form 10-K.

(e) Performance Graph

The performance graph below illustrates a five-year comparison of cumulative total returns based on an initial investment of $100 in 2018 in Eversource Energy common stock, as compared with the S&P 500 Stock Index and the EEI Index for the period 2018 through 2023, assuming all dividends are reinvested.




| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Eversource Energy | $100 | $134 | $140 | $152 | $144 | $111 |
| EEI Index | $100 | $126 | $124 | $146 | $147 | $134 |
| S&P500 | $100 | $131 | $156 | $200 | $164 | $207 |

*Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

The following table discloses purchases of our common shares made by us or on our behalf for the periods shown below. The common shares purchased consist of open market purchases made by the Company or an independent agent. These share transactions related to matching contributions under the Eversource 401k Plan.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans and Programs (at month end) |
|---|---|---|---|---|
| October 1 - October 31, 2023 | — | $ — | — | — |
| November 1 - November 30, 2023 | — | — | — | — |
| December 1 - December 31, 2023 | 2,941 | 61.80 | — | — |
| Total | 2,941 | $ 61.80 | — | — |

**Item 6. Removed and Reserved**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**EVERSOURCE ENERGY AND SUBSIDIARIES**

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related combined notes included in this combined Annual Report on Form 10-K. References in this combined Annual Report on Form 10-K to "Eversource," the "Company," "we," "us," and "our" refer to Eversource Energy and its consolidated subsidiaries. All per-share amounts are reported on a diluted basis. The consolidated financial statements of Eversource, NSTAR Electric and PSNH and the financial statements of CL&P are herein collectively referred to as the "financial statements." Our discussion of fiscal year 2023 compared to fiscal year 2022 is included herein. Unless expressly stated otherwise, for discussion and analysis of fiscal year 2021 items and of fiscal year 2022 compared to fiscal year 2021, please refer to Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* in our combined 2022 Annual Report on Form 10-K, which is incorporated herein by reference.

Refer to the Glossary of Terms included in this combined Annual Report on Form 10-K for abbreviations and acronyms used throughout this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The only common equity securities that are publicly traded are common shares of Eversource. Our earnings discussion includes financial measures that are not recognized under GAAP (non-GAAP) referencing our earnings and EPS excluding the impairment charges for the offshore wind investments, a loss on the disposition of land that was initially acquired to construct the Northern Pass Transmission project and was subsequently abandoned, certain transaction and transition costs, and our earnings and EPS excluding charges at CL&P related to an October 2021 settlement agreement that included credits to customers and funding of various customer assistance initiatives and a 2021 storm performance penalty imposed on CL&P by PURA. EPS by business is also a non-GAAP financial measure and is calculated by dividing the Net Income Attributable to Common Shareholders of each business by the weighted average diluted Eversource common shares outstanding for the period. The earnings and EPS of each business do not represent a direct legal interest in the assets and liabilities of such business, but rather represent a direct interest in our assets and liabilities as a whole.

We use these non-GAAP financial measures to evaluate and provide details of earnings results by business and to more fully compare and explain our results without including these items. This information is among the primary indicators we use as a basis for evaluating performance and planning and forecasting of future periods. We believe the impacts of the impairment charges for the offshore wind investments, the loss on the disposition of land associated with an abandoned project, transaction and transition costs, and the CL&P October 2021 settlement agreement, and the 2021 storm performance penalty imposed on CL&P by PURA are not indicative of our ongoing costs and performance. We view these charges as not directly related to the ongoing operations of the business and therefore not an indicator of baseline operating performance. Due to the nature and significance of the effect of these items on Net Income Attributable to Common Shareholders and EPS, we believe that the non-GAAP presentation is a more meaningful representation of our financial performance and provides additional and useful information to readers of this report in analyzing historical and future performance of our business. These non-GAAP financial measures should not be considered as alternatives to reported Net Income Attributable to Common Shareholders or EPS determined in accordance with GAAP as indicators of operating performance.

**Financial Condition and Business Analysis**

<u>Executive Summary</u>

Eversource Energy is a public utility holding company primarily engaged, through its wholly-owned regulated utility subsidiaries, in the energy delivery business. Eversource Energy's wholly-owned regulated utility subsidiaries consist of CL&P, NSTAR Electric and PSNH (electric utilities), Yankee Gas, NSTAR Gas and EGMA (natural gas utilities) and Aquarion (water utilities). Eversource is organized into the electric distribution, electric transmission, natural gas distribution, and water distribution reportable segments.

The following items in this executive summary are explained in more detail in this combined Annual Report on Form 10-K:

*Earnings Overview and Future Outlook:*

- We had a loss of $442.2 million, or $1.26 per share, in 2023, compared with earnings of $1.40 billion, or $4.05 per share, in 2022. Our 2023 results include after-tax impairment charges of $1.95 billion, or $5.58 per share, recorded at Eversource parent to reflect our current estimate of the fair value of the offshore wind projects. Our 2023 results also include after-tax land abandonment and other charges recorded at Eversource parent of $6.9 million, or $0.02 per share. Our 2022 results include after-tax transaction and transition costs of $15.0 million, or $0.04 per share. Excluding the offshore wind impairments and these other charges, our non-GAAP earnings were $1.52 billion, or $4.34 per share, in 2023, compared with $1.42 billion, or $4.09 per share, in 2022.

- We project that we will earn within a 2024 non-GAAP earning guidance range of between $4.50 per share and $4.67 per share, which excludes the impact of the expected sales of our 50 percent interests in three jointly-owned offshore wind projects and related transaction costs. We also project that our long-term EPS growth rate through 2028 from our regulated utility businesses will be in a 5 to 7 percent range.

*Liquidity:*

- Cash flows provided by operating activities totaled $1.65 billion in 2023, compared with $2.40 billion in 2022. Investments in property, plant and equipment totaled $4.34 billion in 2023 and $3.44 billion in 2022.

- Cash and Cash Equivalents totaled $53.9 million as of December 31, 2023, compared with $374.6 million as of December 31, 2022. Our available borrowing capacity under our commercial paper programs totaled $512.3 million as of December 31, 2023.

- In 2023, we issued $5.20 billion of new long-term debt and we repaid $2.01 billion of long-term debt.

- In 2023, we paid dividends totaling $2.70 per common share, compared with dividends of $2.55 per common share in 2022. Our quarterly common share dividend payment was $0.675 per share in 2023, as compared to $0.6375 per share in 2022. On January 31, 2024, our Board of Trustees approved a common share dividend payment of $0.715 per share, payable on March 29, 2024 to shareholders of record as of March 5, 2024.

- We project to make capital expenditures of $23.12 billion from 2024 through 2028, of which we expect $9.71 billion to be in our electric distribution segment, $5.44 billion to be in our natural gas distribution segment, $5.77 billion to be in our electric transmission segment, and $1.08 billion to be in our water distribution segment. We also project to invest $1.12 billion in information technology and facilities upgrades and enhancements.

- On February 13, 2024, we initiated an exploratory assessment of monetizing our water distribution business and are exploring the potential sale of the business.

*trategic Developments:*

- On February 13, 2024, Eversource announced that it has executed an agreement to sell its existing 50 percent interests in the South Fork Wind and Revolution Wind projects to Global Infrastructure Partners (GIP). As part of this transaction, Eversource expects to receive approximately $1.1 billion of cash proceeds upon closing, which includes the sales value related to the 10 percent energy community ITC adder of approximately $170 million related to Revolution Wind, and to exit these projects while retaining certain cost sharing obligations for the construction of Revolution Wind. The purchase price is subject to future post-closing adjustment payments based on, among other things, the progress, timing and expense of construction at each project. The cost sharing obligations provide that Eversource would share equally with GIPin GIP's funding obligations for up to approximately $240 million of incremental capital expenditure overruns incurred during the construction phase for the Revolution Wind project, after which GIP's obligations for any additional capital expenditure overruns would be shared equally by Eversource and Ørsted. Additionally, Eversource's financial exposure will be adjusted by certain purchase price adjustments to be made following commercial operation of the Revolution Wind project and closing of South Fork as a result of final project economics, which includes Eversource's obligation to maintain GIP's internal rate of return for each project as specified in the agreement. Eversource currently expects that South Fork Wind will reach full commercial operation prior to closing of the sale with GIP and Eversource does not expect any material cost sharing or other purchase price adjustment payments for South Fork Wind. Closing of the transaction is currently expected to occur in mid-2024.

- On January 24, 2024, Ørsted signed an agreement with Eversource to acquire Eversource's 50 percent share of Sunrise Wind. The sale is subject to the successful selection of Sunrise Wind in the ongoing New York fourth solicitation for offshore wind capacity, signing of an OREC contract with NYSERDA, finalization of sale agreements, receipt of final federal construction permits, and relevant regulatory approvals. If Sunrise Wind is not successful in the solicitation, then the existing OREC contract for Sunrise Wind will be cancelled according to the state's requirements, and Eversource and Ørsted's joint venture for Sunrise Wind will remain in place. In that scenario, Ørsted and Eversource would then assess their options in determining the best path forward for Sunrise Wind and its assets, which include the BOEM offshore lease area.

- On January 25, 2024, Eversource and Ørsted submitted a new proposal for Sunrise Wind in the New York fourth offshore wind solicitation.

- Four of South Fork Wind's twelve turbines were installed and placed into service by January 1, 2024, meeting the project commercial operation date requirements under the power purchase agreement with LIPA. All wind turbines are expected to be installed and placed into service by the end of March 2024.

Earnings Overview

*Consolidated:* Below is a summary of our earnings/(loss) by business, which also reconciles the non-GAAP financial measures of consolidated non-GAAP earnings and EPS, as well as EPS by business, to the most directly comparable GAAP measures of consolidated Net (Loss)/Income Attributable to Common Shareholders and diluted EPS.

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| *(Millions of Dollars, Except Per Share Amounts)* | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| Net (Loss)/Income Attributable to Common Shareholders (GAAP) | $ (442.2) | $ (1.26) | $ 1,404.9 | $ 4.05 | $ 1,220.5 | $ 3.54 |
| | | | | | | |
| Regulated Companies (Non-GAAP) | $ 1,509.3 | $ 4.31 | $ 1,460.4 | $ 4.21 | $ 1,342.4 | $ 3.89 |
| Eversource Parent and Other Companies (Non-GAAP) | 8.4 | 0.03 | (40.5) | (0.12) | (12.2) | (0.03) |
| Non-GAAP Earnings | $ 1,517.7 | $ 4.34 | $ 1,419.9 | $ 4.09 | $ 1,330.2 | $ 3.86 |
| Impairments of Offshore Wind Investments (after-tax) [(1)] | (1,953.0) | (5.58) | — | — | — | — |
| Land Abandonment Loss and Other Charges (after-tax) [(2)] | (6.9) | (0.02) | — | — | — | — |
| Transaction and Transition Costs (after-tax) [(3)] | — | — | (15.0) | (0.04) | (23.6) | (0.07) |
| CL&P Settlement Impacts (after-tax) [(4)] | — | — | — | — | (86.1) | (0.25) |
| Net (Loss)/Income Attributable to Common Shareholders (GAAP) | $ (442.2) | $ (1.26) | $ 1,404.9 | $ 4.05 | $ 1,220.5 | $ 3.54 |

(1) We recorded impairment charges resulting from the expected sales of our offshore wind investments and to reflect our current estimate of the fair value of the offshore wind projects. For further information, see "Business Development and Capital Expenditures – Offshore Wind Business" included in this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

(2) The 2023 charges primarily include a loss on the disposition of land. The land was initially acquired to construct the Northern Pass Transmission project and was subsequently abandoned.

(3) Transaction costs in 2022 and 2021 primarily include costs associated with the transition of systems as a result of our purchase of the assets of Columbia Gas of Massachusetts (CMA) on October 9, 2020 and integrating the CMA assets onto Eversource's systems.

(4) The 2021 after-tax costs are associated with the October 1, 2021 CL&P settlement agreement approved by PURA that included credits to customers and funding of various customer assistance initiatives and a 2021 storm performance penalty imposed on CL&P by PURA.

*Regulated Companies:* Our regulated companies comprise the electric distribution, electric transmission, natural gas distribution and water distribution segments. A summary of our segment earnings and EPS is as follows:

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| *(Millions of Dollars, Except Per Share Amounts)* | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| Net Income - Regulated Companies (GAAP) | $ 1,509.3 | $ 4.31 | $ 1,460.4 | $ 4.21 | $ 1,256.3 | $ 3.64 |
| | | | | | | |
| Electric Distribution, excluding CL&P Settlement Impacts (Non-GAAP) | $ 608.0 | $ 1.74 | $ 592.8 | $ 1.71 | $ 556.2 | $ 1.61 |
| Electric Transmission | 643.4 | 1.84 | 596.6 | 1.72 | 544.6 | 1.58 |
| Natural Gas Distribution | 224.8 | 0.64 | 234.2 | 0.67 | 204.8 | 0.59 |
| Water Distribution | 33.1 | 0.09 | 36.8 | 0.11 | 36.8 | 0.11 |
| Net Income - Regulated Companies (Non-GAAP) | $ 1,509.3 | $ 4.31 | $ 1,460.4 | $ 4.21 | $ 1,342.4 | $ 3.89 |
| CL&P Settlement Impacts (after-tax) | — | — | — | — | (86.1) | (0.25) |
| Net Income - Regulated Companies (GAAP) | $ 1,509.3 | $ 4.31 | $ 1,460.4 | $ 4.21 | $ 1,256.3 | $ 3.64 |

Our electric distribution segment earnings increased $15.2 million in 2023, as compared to 2022, due primarily to a base distribution rate increase effective January 1, 2023 at NSTAR Electric, higher earnings from CL&P's capital tracking mechanism due to increased electric system improvements, an increase in interest income primarily on regulatory deferrals, the impact of a new regulatory tracking mechanism at PSNH that allows for the recovery of previously incurred operating expenses associated with poles acquired on May 1, 2023, and higher AFUDC equity income. Those earnings increases were partially offset by higher operations and maintenance expense, higher interest expense, higher property and other tax expense, higher depreciation expense and lower pension income.

Our electric transmission segment earnings increased $46.8 million in 2023, as compared to 2022, due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure and a lower effective tax rate.

Our natural gas distribution segment earnings decreased $9.4 million in 2023, as compared to 2022, due primarily to higher depreciation expense, higher interest expense, a higher effective tax rate, an unfavorable regulatory adjustment resulting from NSTAR Gas'GSEP reconciliation filing, higher operations and maintenance expense arising primarily from higher uncollectible expense, and higher property tax expense. Those earnings decreases were partially offset by higher earnings from capital tracking mechanisms due to continued investments in natural gas infrastructure, base distribution rate increases effective November 1, 2023 and November 1, 2022 at NSTAR Gas and effective November 1, 2022 at EGMA, and an increase in interest income primarily on regulatory deferrals.

Our water distribution segment earnings decreased $3.7 million in 2023, as compared to 2022, due primarily to higher depreciation, operations and maintenance expense and higher interest expense.

*Eversource Parent and Other Companies:* Eversource parent and other companies' losses increased $1.90 billion in 2023, as compared to 2022, due primarily to the 2023 impairments of Eversource parent's offshore wind investments, which resulted in a total after-tax charge of $1.95 billion, or $5.58 per share. Earnings were also unfavorably impacted by higher interest expense and a loss on the disposition of land in 2023 that was initially acquired to construct the Northern Pass Transmission project and was subsequently abandoned. Earnings benefited by a lower effective tax rate as a result of the ability to utilize tax credits and benefits in 2023, as well as a decrease in after-tax transaction and transition costs. Additionally, 2023 earnings were favorably impacted from the liquidation of Eversource parent's equity method investment in a renewable energy fund, partially offset by a charitable contribution made with a portion of the proceeds from the liquidation in 2023.

Liquidity

*Sources and Uses of Cash:*Eversource' s regulated business is capital intensive and requires considerable capital resources. Eversource's regulated companies' capital resources are provided by cash flows generated from operations, short-term borrowings, long-term debt issuances, capital contributions from Eversource parent, and existing cash, and are used to fund their liquidity and capital requirements. Eversource's regulated companies typically maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. Short-term borrowings are also used as a bridge to long-term debt financings. The levels of short-term borrowing may vary significantly over the course of the year due to the impact of fluctuations in cash flows from operations (including timing of storm costs and regulatory recoveries), dividends paid, capital contributions received and the timing of long-term debt financings.

Eversource, CL&P, NSTAR Electric and PSNH each uses its available capital resources to fund its respective construction expenditures, meet debt requirements, pay operating costs, including storm-related costs, pay dividends, and fund other corporate obligations, such as pension contributions. Eversource's regulated companies recover their electric, natural gas and water distribution construction expenditures as the related project costs are depreciated over the life of the assets. This impacts the timing of the revenue stream designed to fully recover the total investment plus a return on the equity and debt used to finance the investments. Eversource's regulated companies spend a significant amount of cash on capital improvements and construction projects that have a long-term return on investment and recovery period. In addition, Eversource uses its capital resources to fund investments in its offshore wind business, which are recognized as long-term assets. These factors have resulted in current liabilities exceeding current assets by $2.09 billion, $308.5 million and $143.6 million at Eversource, NSTAR Electric and PSNH, respectively, as of December 31, 2023.

We expect the future operating cash flows of Eversource, CL&P, NSTAR Electric and PSNH, along with our existing borrowing availability and access to both debt and equity markets, will be sufficient to meet any working capital and future operating requirements, and capital investment forecasted opportunities.

As of December 31, 2023, $1.95 billion of Eversource's long-term debt, including $1.35 billion at Eversource parent and $139.8 million at CL&P, matures within the next 12 months. Eversource, with its solid credit ratings, has several options available in the financial markets to repay or refinance these maturities with the issuance of new long-term debt. Eversource, CL&P, NSTAR Electric and PSNH will reduce their short-term borrowings with operating cash flows or with the issuance of new long-term debt, determined by considering capital requirements and maintenance of Eversource's credit rating and profile.

Cash and Cash Equivalents totaled $53.9 million as of December 31, 2023, compared with $374.6 million as of December 31, 2022.

*Short-Term Debt - Commercial Paper Programs and Credit Agreements*: Eversource parent has a $2.00 billion commercial paper program allowing Eversource parent to issue commercial paper as a form of short-term debt. Eversource parent, CL&P, PSNH, NSTAR Gas, Yankee Gas, EGMAand Aquarion Water Company of Connecticut are parties to a five-year $2.00 billion revolving credit facility, which terminates on October 13, 2028. Thisre volving credit facility serves to backstop Eversource parent's $2.00 billion commercial paper program.

NSTAR Electric has a $650 million commercial paper program allowing NSTAR Electric to issue commercial paper as a form of short-term debt. NSTAR Electric is also a party to a five-year $650 million revolving credit facility, which terminates on October 13, 2028, and serves to backstop NSTAR Electric's $650 million commercial paper program.

The amount of borrowings outstanding and available under the commercial paper programs were as follows:

| | Borrowings Outstanding as of December 31, | | Available Borrowing Capacity as of December 31, | | Weighted-Average Interest Rate as of December 31, | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Eversource Parent Commercial Paper Program | $ 1,771.9 | $ 1,442.2 | $ 228.1 | $ 557.8 | 5.60 % | 4.63 % |
| NSTAR Electric Commercial Paper Program | 365.8 | — | 284.2 | 650.0 | 5.40 % | — % |

There were no borrowings outstanding on the revolving credit facilities as of December 31, 2023 or 2022.

CL&P and PSNH have uncommitted line of credit agreements totaling $375 million and $250 million, respectively, which will expire in 2024. There are no borrowings outstanding on either the CL&P or PSNH uncommitted line of credit agreements as of December 31, 2023.

Amounts outstanding under the commercial paper programs are included in Notes Payable and classified in current liabilities on the Eversource and NSTAR Electric balance sheets, as all borrowings are outstanding for no more than 364 days at one time. As a result of the CL&P long-term debt issuance in January 2024, $207.3 million of commercial paper borrowings under the Eversource parent commercial paper program were reclassified as Long-Term Debt on Eversource parent's balance sheet as of December 31, 2023.

*Intercompany Borrowings:* Eversource parent uses its available capital resources to provide loans to its subsidiaries to assist in meeting their short-term borrowing needs. Eversource parent records intercompany interest income from its loans to subsidiaries, which is eliminated in consolidation. Intercompany loans from Eversource parent to its subsidiaries are eliminated in consolidation on Eversource's balance sheets. As of December 31, 2023, there were intercompany loans from Eversource parent to CL&Pof $457.0 million and to PSNH of $233.0 million. As of December 31, 2022, there were intercompany loans from Eversource parent to PSNH of $173.3 million. Eversource parent charges interest on these intercompany loans at the same weighted-average interest rate as its commercial paper program. Intercompany loans from Eversource parent are included in Notes Payable to Eversource parent and classified in current liabilities on the respective subsidiary's balance sheets, as these intercompany borrowings are outstanding for no more than 364 days at one time. As a result of the CL&P long-term debt issuance in January 2024, $207.3 million of CL&P's intercompany borrowings were reclassified to Long-Term Debt on CL&P's balance sheet as of December 31, 2023.

*Availability under Long-Term Debt Issuance Authorizations:* On June 14, 2022, the DPU approved NSTAR Gas' request for authorization to issue up to $325 million in long-term debt through December 31, 2024. On November 30, 2022, the PURA approved CL&P's request for authorization to issue up to $1.15 billion in long-term debt through December 31, 2024. As a result of CL&P's January 2024 long-term debt issuance, CL&P has now fully utilized this authorization. On June 7, 2023, PURAapproved Yankee Gas' request for authorization to issue up to $350 million in long-term debt through December 31, 2024. On November 21, 2023, NSTAR Electric petitioned the DPU requesting authorization to issue up to $2.4 billion in long-term debt through December 31, 2026. On February 8, 2024, the NHPUC approved PSNH's request for authorization to issue up to $300 million in long-term debt through December 31, 2024.

*Long-Term Debt Issuances and Repayments:* The following table summarizes long-term debt issuances and repayments:

| *(Millions of Dollars)* | Interest Rate | Issuance/ (Repayment) | Issue Date or Repayment Date | Maturity Date | Use of Proceeds for Issuance/ Repayment Information |
|---|---|---|---|---|---|
| CL&P 2023 Series A First Mortgage Bonds | 5.25 % | $ 500.0 | January 2023 | January 2053 | Repaid 2013 Series A Bonds at maturity and short-term debt, and paid capital expenditures and working capital |
| CL&P 2013 Series A First Mortgage Bonds | 2.50 % | (400.0) | January 2023 | January 2023 | Paid at maturity |
| CL&P 2023 Series B First Mortgage Bonds | 4.90 % | 300.0 | July 2023 | July 2033 | Repaid short-term debt, paid capital expenditures and working capital |
| CL&P 2024 Series A First Mortgage Bonds | 4.65 % | 350.0 | January 2024 | January 2029 | Repaid short-term debt, paid capital expenditures and working capital |
| NSTAR Electric 2023 Debentures | 5.60 % | 150.0 | September 2023 | October 2028 | Repaid Series G Senior Notes at maturity and short-term debt and for general corporate purposes |
| NSTAR Electric 2013 Series G Senior Notes | 3.88 % | (80.0) | November 2023 | November 2023 | Paid at maturity |
| PSNH Series W First Mortgage Bonds | 5.15 % | 300.0 | January 2023 | January 2053 | Repaid short-term debt, paid capital expenditures and working capital |
| PSNH Series X First Mortgage Bonds | 5.35 % | 300.0 | September 2023 | October 2033 | Repaid Series S Bonds at maturity and for general corporate purposes |
| PSNH Series S First Mortgage Bonds | 3.50 % | (325.0) | November 2023 | November 2023 | Paid at maturity |
| Eversource Parent Series Z Senior Notes | 5.45 % | 750.0 | March 2023 | March 2028 | Repaid Series F Senior Notes at maturity and short-term debt |
| Eversource Parent Series F Senior Notes | 2.80 % | (450.0) | May 2023 | May 2023 | Paid at maturity |
| Eversource Parent Series Z Senior Notes | 5.45 % | 550.0 | May 2023 | March 2028 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series AA Senior Notes | 4.75 % | 450.0 | May 2023 | May 2026 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series BB Senior Notes | 5.125 % | 800.0 | May 2023 | May 2033 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Variable Rate Series T Senior Notes | SOFR plus 0.25% | (350.0) | August 2023 | August 2023 | Paid at maturity |
| Eversource Parent Series CC Senior Notes | 5.95 % | 800.0 | November 2023 | February 2029 | Repaid Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series N Senior Notes | 3.80 % | (400.0) | December 2023 | December 2023 | Paid at maturity |
| Eversource Parent Series DD Senior Notes | 5.00 % | 350.0 | January 2024 | January 2027 | Repaid short-term debt |
| Eversource Parent Series EE Senior Notes | 5.50 % | 650.0 | January 2024 | January 2034 | Repaid short-term debt |
| Yankee Gas Series V First Mortgage Bonds | 5.51 % | 170.0 | August 2023 | August 2030 | Repaid short-term debt and general corporate purposes |
| EGMA Series D First Mortgage Bonds | 5.73 % | 58.0 | November 2023 | November 2028 | Repaid short-term debt, paid capital expenditures and working capital |
| Aquarion Water Company of Connecticut Senior Notes | 5.89 % | 50.0 | September 2023 | October 2043 | Repaid existing indebtedness, paid capital expenditures and general corporate purposes |

As a result of the CL&P and Eversource parent long-term debt issuances in January 2024, $139.8 million and $990.9 million, respectively, of current portion of long-term debt were reclassified as Long-Term Debt on CL&P's and Eversource parent's balance sheets as of December 31, 2023.

*Rate Reduction Bonds:* PSNH's RRB payments consist of principal and interest and are paid semi-annually. PSNH paid $43.2 million of RRB principal payments in each of 2023 and 2022, and paid $16.2 million and $17.6 million of interest payments in 2023 and 2022, respectively.

*Common Share Issuances and 2022 Equity Distribution Agreement:* On May 11, 2022, Eversource entered into an equity distribution agreement pursuant to which it may offer and sell up to $1.2 billion of its common shares from time to time through an "at-the-market" (ATM) equity offering program. In 2023, no shares were issued under this agreement. In 2022, Eversource issued 2,165,671 common shares, which resulted in proceeds of $197.1 million, net of issuance costs. Eversource used the net proceeds received for general corporate purposes.

*Cash Flows:* Cash flows from operating activities primarily result from the transmission and distribution of electricity, and the distribution of natural gas and water. Cash flows provided by operating activities totaled $1.65 billion in 2023, compared with $2.40 billion in 2022. Operating cash flows were unfavorably impacted by an increase in regulatory under-recoveries driven primarily by the timing of collections for the CL&P non-bypassable FMCC and other regulatory tracking mechanisms, the timing of cash payments made on our accounts payable, a $26.7 million increase in cash payments to vendors for storm costs, an $11.9 million increase in cost of removal expenditures, and the timing of other working capital items. In 2023, CL&P increased the flow back to customers of net revenues generated by long-term state-approved energy contracts by providing these credits to customers through the non-bypassable FMCC retail rate. The reduction in the CL&P non-bypassable FMCC retail rate decreased the regulatory over-recovery balance and created an under-recovery balance as of December 31, 2023, which resulted in a decrease to amortization expense of $802.3 million in 2023, as compared to 2022, and is presented as a cash outflow in Amortization on the statement of cash flows. The impacts of regulatory collections are included in both Regulatory Recoveries and Amortization on the statements of cash flows. These unfavorable impacts were partially offset by the timing of cash collections on our accounts receivable, the absence in 2023 of $78.4 million of payments in 2022 related to withheld property taxes at our Massachusetts companies, a decrease of $76.3 million in pension contributions made in 2023 compared to 2022, the absence in 2023 of $72.0 million of customer credits distributed in 2022 at CL&P as a result of the October 2021 settlement agreement and the 2021 storm performance penalty for CL&P's response to Tropical Storm Isaias, and a $38.7 million increase in operating cash flows due to lower income tax payments.

In 2023, we paid cash dividends of $919.0 million and issued non-cash dividends of $23.4 million in the form of treasury shares, totaling dividends of $942.4 million, or $2.70 per common share. In 2022, we paid cash dividends of $860.0 million and issued non-cash dividends of $23.1 million in the form of treasury shares, totaling dividends of $883.1 million, or $2.55 per common share. Our quarterly common share dividend payment was $0.675 per share in 2023, as compared to $0.6375 per share in 2022. On January 31, 2024, our Board of Trustees approved a common share dividend payment of $0.715 per share, payable on March 29, 2024 to shareholders of record as of March 5, 2024.

Eversource issues treasury shares to satisfy awards under the Company's incentive plans, shares issued under the dividend reinvestment and share purchase plan, and matching contributions under the Eversource 401k Plan.

In 2023, CL&P, NSTAR Electric and PSNH paid $330.4 million, $327.4 million and $112.0 million, respectively, in common stock dividends to Eversource parent.

Investments in Property, Plant and Equipment on the statements of cash flows do not include amounts incurred on capital projects but not yet paid, cost of removal, AFUDC related to equity funds, and the capitalized and deferred portions of pension and PBOPincome/expense. In 2023, investments for Eversource, CL&P, NSTAR Electric, and PSNH were $4.34 billion, $1.09 billion, $1.38 billion and $605.1 million, respectively. Capital expenditures were primarily for continuing projects to maintain and improve infrastructure and operations, including enhancing reliability to the transmission and distribution systems.

Capital contributions in the offshore wind investments, including the 2023 contribution for the tax equity investment in South Fork Wind, are included in Investments in Unconsolidated Affiliates on the statements of cash flows. Proceeds received from the sale of the uncommitted lease area of $625 million in 2023 and from an October 2023 distribution of $318 million received primarily as a result of being a 50 percent joint owner in the Class B shares of South Fork Wind which was restructured as a tax equity investment, are included in Proceeds from Unconsolidated Affiliates on the statement of cash flows. Proceeds from the October 2023 distribution were used to pay down short-term debt. Proceeds from Unconsolidated Affiliates also includes proceeds received from the liquidation of an equity method investment in a renewable energy investment fund of $147.6 million in 2023.

*Contractual Obligations:* For information regarding our cash requirements from contractual obligations and payment schedules, see Note 9, "Long-Term Debt," Note 10, "Rate Reduction Bonds and Variable Interest Entities," Note 11A, "Employee Benefits - Pension Benefits and Postretirement Benefits Other Than Pension," Note 13, "Commitments and Contingencies," and Note 14, "Leases," to the financial statements.

Estimated interest payments on existing long-term fixed-rate debt are calculated by multiplying the coupon rate on the debt by its scheduled notional amount outstanding for the period of measurement as of December 31, 2023 and are as follows:

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Eversource | $ 933.3 | $ 868.1 | $ 827.5 | $ 774.5 | $ 671.6 | $ 6,860.6 | $ 10,935.6 |

Our commitments to make payments in addition to these contractual obligations include other liabilities reflected on our balance sheets, future funding of our offshore wind equity method investments until the expected sales are completed, and guarantees of certain obligations primarily associated with our offshore wind investments. The future funding and guarantee obligations associated with our offshore wind investments will be impacted by the expected sales of our offshore wind investments and related developments.

For information regarding our projected capital expenditures over the next five years, see "Business Development and Capital Expenditures - Projected Capital Expenditures" and for further information on the expected sales of our offshore wind investments, see "Business Development and Capital Expenditures - Offshore Wind Business" included in this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

*Credit Ratings:* A summary of our current corporate credit ratings and outlooks by S&P, Moody's, and Fitch is as follows:

| | S&P | | Moody's | | Fitch | |
|---|---|---|---|---|---|---|
| | Current | Outlook | Current | Outlook | Current | Outlook |
| Eversource Parent | A- | Watch Neg | Baa2 | Negative | BBB | Stable |
| CL&P | A | Watch Neg | A3 | Stable | A- | Stable |
| NSTAR Electric | A | Watch Neg | A2 | Negative | A- | Stable |
| PSNH | A | Watch Neg | A3 | Stable | A- | Stable |

A summary of the current credit ratings and outlooks by S&P, Moody's, and Fitch for senior unsecured debt of Eversource parent and NSTAR Electric, and senior secured debt of CL&P and PSNH is as follows:

| | S&P | | Moody's | | Fitch | |
|---|---|---|---|---|---|---|
| | Current | Outlook | Current | Outlook | Current | Outlook |
| Eversource Parent | BBB+ | Watch Neg | Baa2 | Negative | BBB | Stable |
| CL&P | A+ | Watch Neg | A1 | Stable | A+ | Stable |
| NSTAR Electric | A | Watch Neg | A2 | Negative | A | Stable |
| PSNH | A+ | Watch Neg | A1 | Stable | A+ | Stable |

Business Development and Capital Expenditures

Our consolidated capital expenditures, including amounts incurred but not paid, cost of removal, AFUDC, and the capitalized and deferred portions of pension and PBOP income/expense (all of which are non-cash factors), totaled $4.59 billion in 2023, $3.79 billion in 2022, and $3.54 billion in 2021. These amounts included $214.4 million in 2023, $266.5 million in 2022, and $238.0 million in 2021 related to information technology and facilities upgrades and enhancements, primarily at Eversource Service and The Rocky River Realty Company.

*Electric Transmission Business:* Our consolidated electric transmission business capital expenditures increased by $240.8 million in 2023, as compared to 2022. A summary of electric transmission capital expenditures by company is as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2021 |
| CL&P | $ 470.4 | $ 416.8 | $ 400.0 |
| NSTAR Electric | 567.4 | 438.4 | 480.3 |
| PSNH | 410.0 | 351.8 | 235.0 |
| Total Electric Transmission | $ 1,447.8 | $ 1,207.0 | $ 1,115.3 |

Our transmission projects are designed to improve the reliability of the electric grid, meet customer demand for power and increases in electrification of municipal infrastructure, strengthen the electric grid's resilience against extreme weather and other safety and security threats, and enable integration of increasing amounts of clean power generation from renewable sources, such as solar, battery storage, and offshore wind. In Connecticut, Massachusetts and New Hampshire, our transmission projects include transmission line upgrades, the installation of new transmission interconnection facilities, substations and lines, and transmission substation enhancements.

*Distribution Business:* A summary of distribution capital expenditures is as follows:

| | For the Years Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH | Total Electric | Natural Gas | Water | Total |
| **2023** | | | | | | | |
| Basic Business | $ 280.3 | $ 376.6 | $ 91.1 | $ 748.0 | $ 208.2 | $ 18.5 | $ 974.7 |
| Aging Infrastructure | 260.7 | 310.0 | 86.4 | 657.1 | 719.5 | 142.3 | 1,518.9 |
| Load Growth and Other | 138.0 | 191.3 | 37.2 | 366.5 | 70.1 | 0.9 | 437.5 |
| Total Distribution | $ 679.0 | $ 877.9 | $ 214.7 | $ 1,771.6 | $ 997.8 | $ 161.7 | $ 2,931.1 |
| **2022** | | | | | | | |
| Basic Business | $ 267.8 | $ 202.4 | $ 68.6 | $ 538.8 | $ 175.2 | $ 16.8 | $ 730.8 |
| Aging Infrastructure | 199.9 | 245.1 | 70.8 | 515.8 | 562.3 | 137.6 | 1,215.7 |
| Load Growth and Other | 90.7 | 177.0 | 31.3 | 299.0 | 66.4 | 0.9 | 366.3 |
| Total Distribution | $ 558.4 | $ 624.5 | $ 170.7 | $ 1,353.6 | $ 803.9 | $ 155.3 | $ 2,312.8 |
| **2021** | | | | | | | |
| Basic Business | $ 256.2 | $ 179.9 | $ 56.0 | $ 492.1 | $ 206.1 | $ 16.5 | $ 714.7 |
| Aging Infrastructure | 178.0 | 219.1 | 67.7 | 464.8 | 509.6 | 127.1 | 1,101.5 |
| Load Growth and Other | 80.2 | 169.9 | 37.1 | 287.2 | 83.3 | 0.6 | 371.1 |
| Total Distribution | $ 514.4 | $ 568.9 | $ 160.8 | $ 1,244.1 | $ 799.0 | $ 144.2 | $ 2,187.3 |

For the electric distribution business, basic business includes the purchase of meters, tools, vehicles, information technology, transformer replacements, equipment facilities, and the relocation of plant. Aging infrastructure relates to reliability and the replacement of overhead lines, plant substations, underground cable replacement, and equipment failures. Load growth and other includes requests for new business and capacity additions on distribution lines and substation additions and expansions.

For the natural gas distribution business, basic business addresses daily operational needs including meters, pipe relocations due to public works projects, vehicles, and tools. Aging infrastructure projects seek to improve the reliability of the system through enhancements related to cast iron and bare steel replacement of main and services, corrosion mediation, and station upgrades. Load growth and other reflects growth in existing service territories including new developments, installation of services, and expansion.

For the water distribution business, basic business addresses daily operational needs including periodic meter replacement, water main relocation, facility maintenance, and tools. Aging infrastructure relates to reliability and the replacement of water mains, regulators, storage tanks, pumping stations, wellfields, reservoirs, and treatment facilities. Load growth and other reflects growth in our service territory, including improvements of acquisitions, installation of new services, and interconnections of systems.

*Projected Capital Expenditures:* A summary of the projected capital expenditures for the regulated companies' electric transmission and for the total electric distribution, natural gas distribution and water distribution for 2024 through 2028, including information technology and facilities upgrades and enhancements on behalf of the regulated companies, is as follows:

| | Years | | | | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | **2024** | **2025** | **2026** | **2027** | **2028** | **2024 - 2028 Total** |
| CL&P Transmission | $ 393 | $ 332 | $ 255 | $ 279 | $ 194 | $ 1,453 |
| NSTAR Electric Transmission | 450 | 526 | 640 | 838 | 903 | 3,357 |
| PSNH Transmission | 357 | 349 | 158 | 49 | 49 | 962 |
| *Total Electric Transmission* | 1,200 | 1,207 | 1,053 | 1,166 | 1,146 | 5,772 |
| Electric Distribution | 2,009 | 1,869 | 2,051 | 2,006 | 1,770 | 9,705 |
| Natural Gas Distribution | 1,044 | 1,087 | 1,142 | 1,089 | 1,079 | 5,441 |
| *Total Electric and Natural Gas Distribution* | 3,053 | 2,956 | 3,193 | 3,095 | 2,849 | 15,146 |
| Water Distribution | 169 | 204 | 218 | 234 | 251 | 1,076 |
| Information Technology and All Other | 225 | 234 | 223 | 202 | 239 | 1,123 |
| Total | $ 4,647 | $ 4,601 | $ 4,687 | $ 4,697 | $ 4,485 | $ 23,117 |

The projections do not include investments related to offshore wind projects. Actual capital expenditures could vary from the projected amounts for the companies and years above.

*Offshore Wind Business:* Eversource's offshore wind business includes 50 percent ownership interests in wind partnerships, which collectively hold the Revolution Wind, South Fork Wind and Sunrise Wind projects, and a tax equity investment in South Fork Wind. The offshore wind projects are being developed and constructed through joint and equal partnerships with Ørsted.

As of December 31, 2023 and 2022, Eversource's total equity investment balance in its offshore wind business was $515.5 million and $1.95 billion, respectively.

*Expected Sales of Offshore Wind Investments:* On May 25, 2023, Eversource announced that it had completed a strategic review of its offshore wind investments and determined that it would pursue the sale of its offshore wind investments. On September 7, 2023, Eversource completed the sale of its 50 percent interest in an uncommitted lease area consisting of approximately 175,000 developable acres located 25 miles off the south coast of Massachusetts to Ørsted for $625 million in an all-cash transaction.

In September of 2023, Eversource made a contribution of $528 million using the proceeds from the lease area sale to invest in a tax equity interest for South Fork Wind. South Fork Wind was restructured as a tax equity investment, with Eversource purchasing 100 percent ownership of a new Class A tax equity membership interest. As a result of this investment, Eversource expects to receive investment tax credits after the turbines are placed in service for South Fork Wind and meet the requirements to qualify for the ITC. These credits will be utilized to reduce Eversource's federal tax liability or generate tax refunds over the next 24 months. All of South Fork Wind's twelve turbines are expected to be installed and placed into service by the end of March 2024.

On January 24, 2024, Ørsted signed an agreement with Eversource to acquire Eversource's 50 percent share of Sunrise Wind. The sale is subject to the successful selection of Sunrise Wind in the ongoing New York fourth solicitation for offshore wind capacity, signing of an OREC contract with NYSERDA, finalization of sale agreements, receipt of final federal construction permits, and relevant regulatory approvals. If Sunrise Wind is not successful in the solicitation, then the existing OREC contract for Sunrise Wind will be cancelled according to the state's requirements, and Eversource and Ørsted's joint venture for Sunrise Wind will remain in place. In that scenario, Ørsted and Eversource would then assess their options in determining the best path forward for Sunrise Wind and its assets, which include the BOEM offshore lease area. If Sunrise Wind's revised bid is successful in the new solicitation, Sunrise Wind would have 90 days to negotiate a new OREC agreement at the re-bid price. In a successful re-bid, Ørsted would become the sole owner of Sunrise Wind, while Eversource would remain contracted to lead the project's onshore construction. If Sunrise Wind is successful in the re-bid, Ørsted would pay Eversource 50 percent of the negotiated purchase price upon closing the sale transaction, with the remaining 50 percent paid when onshore construction is completed and certain other milestones are achieved. On January 25, 2024, Eversource and Ørsted submitted a new proposal for Sunrise Wind in the New York fourth offshore wind solicitation.

On February 13, 2024, Eversource announced that it has executed an agreement to sell its existing 50 percent interests in the South Fork Wind and Revolution Wind projects to Global Infrastructure Partners (GIP). As part of this transaction, Eversource expects to receive approximately $1.1 billion of cash proceeds upon closing, which includes the sales value related to the 10 percent energy community ITC adder of approximately $170 million related to Revolution Wind, and to exit these projects while retaining certain cost sharing obligations for the construction of Revolution Wind. The purchase price is subject to future post-closing adjustment payments based on, among other things, the progress, timing and expense of construction at each project. The cost sharing obligations provide that Eversource would share equally with GIP in GIP's funding obligations for up to approximately $240 million of incremental capital expenditure overruns incurred during the construction phase for the Revolution Wind project, after which GIP's obligations for any additional capital expenditure overruns would be shared equally by Eversource and Ørsted. Additionally, Eversource's financial exposure will be adjusted by certain purchase price adjustments to be made following commercial operation of the Revolution Wind project and closing of South Fork as a result of final project economics, which includes Eversource's obligation to maintain GIP's internal rate of return for each project as specified in the agreement. Eversource currently expects that South Fork Wind will reach full commercial operation prior to closing of the sale with GIP and Eversource does not expect any material cost sharing or other purchase price adjustment payments for South Fork Wind.

Factors that could result in Eversource's total net proceeds from the transaction to be lower or higher include Revolution Wind's eligibility for federal investment tax credits at other than the anticipated 40 percent level; the ultimate cost of construction and extent of cost overruns for Revolution Wind; delays in constructing Revolution Wind, which would impact the economics associated with the purchase price adjustment; and a benefit due to Eversource if there are lower operation costs or higher availability of the projects through the period that is four years following the commercial operation date of the Revolution Wind project.

Closing a transaction with GIP would be subject to customary conditions, including certain regulatory approvals under the Hart Scott Rodino Act and by the New York Public Service Commission and the FERC, as well as other conditions, among which is the completion and execution of the partnership agreements between GIP and Ørsted that will govern GIP's new ownership interest in those projects following Eversource's divestiture. Closing of the transaction is currently expected to occur in mid-2024. If closing of the sale is delayed, additional capital contributions made by Eversource would be recovered in the sales price. Under the agreement, Eversource's existing credit support obligations are expected to roll off for each project around the time that each project completes its expected capital spend.

*Impairment:* Equity method investments are assessed for impairment when conditions exist as of the balance sheet date that indicate that the fair value of the investment may be less than book value. Eversource continually monitors and evaluates its equity method investments to determine if there are indicators of an other-than-temporary impairment. If the decline in value is considered to be other-than-temporary, the investment is written down to its estimated fair value, which establishes a new cost basis in the investment. Subsequent declines or recoveries after the reporting date are not considered in the impairment recognized. Investments that are other-than-temporarily impaired and written down to their estimated fair value cannot subsequently be written back up for increases in estimated fair value. Impairment evaluations involve a significant degree of judgment and estimation, including identifying circumstances that indicate an impairment may exist at the equity method investment level, selecting discount rates used to determine fair values, and developing an estimate of discounted future cash flows expected from investment operations or the sale of the investment.

In connection with the process to divest its offshore wind business, Eversource identified indicators for impairment in both the second and fourth quarters of 2023. In each impairment assessment, Eversource evaluated its investments and determined that the carrying value of the equity method offshore wind investments exceeded the fair value of the investments and that the decline in fair value was other-than-temporary. The completion of the strategic review in the second quarter of 2023 resulted in Eversource recording a pre-tax other-than-temporary impairment charge of $401 million ($331 million after-tax) to reflect the investment at estimated fair value based on the expected sales price at that time. This established a new cost basis in the investments. Negative developments in the fourth quarter of 2023, including a lower expected sales price, additional projected construction cost increases, and the October 2023 OREC pricing denial for Sunrise Wind, resulted in Eversource conducting an impairment evaluation and recognizing an additional pre-tax other-than-temporary impairment charge of $1.77 billion ($1.62 billion after-tax) and establishing a new cost basis in the investments as of December 31, 2023. The Eversource statement of income reflects a total pre-tax other-than-temporary impairment charge of $2.17 billion ($1.95 billion after-tax) in its offshore wind investments for the year ended 2023.

The impairment evaluations involved judgments in developing the estimates and timing of the future cash flows arising from the expected sales price of Eversource's 50 percent interest in the wind projects, including expected sales value from investment tax credit adder amounts, less estimated costs to sell, and uncertainties related to the Sunrise Wind re-bid process in New York's offshore wind solicitation. Additional assumptions in the fourth quarter assessment included revised projected construction costs and estimated project cost overruns, estimated termination costs, salvage values of Sunrise Wind assets, and the value of the tax equity ownership interest. The assumptions used in the discounted cash flow analyses are subject to inherent uncertainties and subjectivity. The use of different assumptions, estimates, or judgments with respect to the estimation of future cash flows could materially change the impairment charges. The impairment evaluations were based on best information available at the impairment assessment dates. New information from events or circumstances arising after the balance sheet date, such as the January 25, 2024 re-bid of Sunrise Wind in the New York solicitation, are not included in the December 31, 2023 impairment evaluation. All significant inputs into the impairment evaluations were Level 3 fair value measurements.

The expected cash flows arising from the anticipated sales are a significant input in the impairment evaluation. In the fourth quarter of 2023, project construction forecasts were updated, and these new forecasts reflected additional expenditures for construction and scheduling related pressures, including the availability and increased cost of installation vessels and supply chain cost increases related to foundation fabrication. In determining the current fair value of the investments, these updated projections exceeded the previously estimated projections for construction expenditures, which resulted in a revised sales price that was significantly lower than the previous bid value. Another significant assumption in the impairment evaluation includes the probability of payment of future cost overruns on the three wind projects through each project's respective commercial operation date, which would not be recovered in the expected sales price. This assumption was based on construction projections updated in the fourth quarter of 2023 exceeding prior estimates. An increase in expected cost overruns could result in a significant impairment in a future period.

Another key assumption in the impairment model of our offshore wind investments was investment tax credit (“ITC”) adders that were included in the Inflation Reduction Act and were a separate part of the sales price value offered by GIP. An ITC adder is an additional 10 percent of credit value for ITC eligible costs and include two distinct qualifications related to either using domestic sourced materials (domestic content) or construction of an onshore substation in a designated community (energy community). Similar to the base ITC of 30 percent of the eligible costs, any ITC adders generated would be used to reduce an owner’s federal tax liability and could be used to receive tax refunds from prior years as well. Management believes there is a high likelihood that the 10 percent energy community ITC adder is realizable, and that ITC adder would amount to approximately $170 million of additional sales value related to Revolution Wind and that it would qualify for the ITC adder after it reaches commercial operation in 2025. Although management believes the ITC adder value is realizable, there is some uncertainty at this time as to whether or not those ITC adders can be achieved, and management continues to evaluate the project’s qualifications and to monitor guidance issued by the United States Treasury Department. A change in the expected value or qualification of ITC adders could result in a significant impairment in a future period.

Another fourth quarter 2023 development included in the impairment evaluation is the key judgment regarding the probability of future cash inflows and outflows associated with the sale or abandonment of the Sunrise Wind project and the expected outcome of the New York fourth offshore wind solicitation in 2024. In June 2023, Sunrise Wind filed a petition with the New York State Public Service Commission for an order authorizing NYSERDA to amend the Sunrise Wind OREC contract to increase the contract price to cover increased costs and inflation. At that time, management expected the contract repricing would be successful given NYSERDA’s public support for pricing adjustments. On October 12, 2023, the New York State Public Service Commission denied this petition. Subsequent to the denial, on November 30, 2023, the general terms of an expedited offshore wind renewable energy solicitation in New York were released. A primary condition for Sunrise Wind to participate in this new solicitation was to agree to terminate its existing OREC agreement. As of December 31, 2023, Eversource and Ørsted were considering whether to submit a new bid for Sunrise Wind, the price at which a new bid would be made, and the probability of success in the new bidding process. The December 31, 2023 impairment evaluation included management’s judgment of the likelihood of possible future scenarios that included the Sunrise Wind project continuing with its existing OREC contract, the project re-bidding and being selected in the new solicitation, the project re-bidding and not being selected, or the project not moving forward. The unfavorable development of the October 2023 denial of the OREC pricing petition, management’s assessment of the likelihood of success in the competitive New York re-bidding process, and the increased costs to build the project, have resulted in management’s assumption that the Sunrise Wind project will ultimately be abandoned, and therefore, no sales value was modeled in the impairment evaluation. Additionally, in the abandonment assumption, management has assumed the loss of contingent sales value associated with any related ITC adders and has estimated future cash outflows for Eversource’s share of cancellation costs required under Sunrise Wind’s supplier contracts, partially offset by expected salvage value and expected cost overruns not incurred in the case of abandonment that are included in the fourth quarter 2023 impairment charge. An increase in expected cancellation costs could result in a significant impairment in a future period.

A summary of the significant estimates and assumptions included in the 2023 impairment charges is as follows:

| *(Millions of Dollars)* | Second Quarter 2023 | Fourth Quarter 2023 | Total |
|---|---|---|---|
| Lower expected sales proceeds across all three wind projects | $ 401 | $ 525 | $ 926 |
| Expected cost overruns not recovered in the sales price | — | 441 | 441 |
| Loss of sales value from the sale price offered by GIP, including loss of ITC adders value, cancellation costs and other impacts assuming Sunrise Wind project is abandoned | — | 800 | 800 |
| Impairment Charges, pre-tax | 401 | 1,766 | 2,167 |
| Tax Benefit | (70) | (144) | (214) |
| Impairment Charges, after-tax | $ 331 | $ 1,622 | 1,953 |

A summary of the carrying value by investee and by project as of December 31, 2023 is as follows:

| | Investments Expected to be Disposed of | | | Investment to be Held | |
|---|---|---|---|---|---|
| | North East Offshore | | South Fork Class B Member, LLC | South Fork Wind Holdings, LLC Class A | Total Offshore Wind Investments |
| *(Millions of Dollars)* | Sunrise Wind | Revolution Wind | | | |
| Carrying Value as of December 31, 2023, before Impairment Charge | $ 699 | $ 799 | $ 299 | $ 485 | $ 2,282 |
| Fourth Quarter 2023 Impairment Charge | (1,218) | (544) | — | (4) | (1,766) |
| Carrying Value as of December 31, 2023 | $ (519) | $ 255 | $ 299 | $ 481 | $ 516 |

Management will continue to monitor and evaluate all facts and circumstances in the offshore wind sales process and the impact on its investment balance. Adverse changes in facts and circumstances of estimates and timing of future cash flows and the factors described above could result in the recognition of additional, significant impairment charges that could be material to the financial statements.

The impairment charge was a non-cash charge and did not impact Eversource's cash position. Eversource will continue to make future cash expenditures for required cash contributions to its offshore wind investments up to the time of disposition of each of the offshore wind projects. Capital contributions are expected until the sales are completed and changes in the timing and amounts of these contributions would be adjusted in the sales prices and therefore not result in an additional impairment charge. Proceeds from the transactions will be used to pay off parent company debt. Eversource's offshore wind investments do not meet the criteria to qualify for presentation as a discontinued operation.

*Contracts, Permitting and Construction of Offshore Wind Projects:* The following table provides a summary of the Eversource and Ørsted major projects with announced contracts:

| Wind Project | State Servicing | Size (MW) | Term (Years) | Price per MWh | Pricing Terms | Contract Status |
|---|---|---|---|---|---|---|
| Revolution Wind | Rhode Island | 400 | 20 | $98.43 | Fixed price contract; no price escalation | Approved |
| Revolution Wind | Connecticut | 304 | 20 | $98.43 - $99.50 | Fixed price contracts; no price escalation | Approved |
| South Fork Wind | New York (LIPA) | 90 | 20 | $160.33 | 2 percent average price escalation | Approved |
| South Fork Wind | New York (LIPA) | 40 | 20 | $86.25 | 2 percent average price escalation | Approved |

The offshore wind projects require receipt of federal, state and local approvals necessary to construct and operate the projects. The federal permitting process is led by BOEM, and state approvals are required from New York, Rhode Island and Massachusetts. South Fork Wind and Revolution Wind have received all required approvals to start construction. Significant delays in the siting and permitting process resulting from the timeline for obtaining approval from BOEM and the state and local agencies could adversely impact the timing of Sunrise Wind's' in-service date.

Federal Siting and Permitting Process: The federal siting and permitting process for each of our offshore wind projects commence with the filing of a Construction and Operations Plan (COP) application with BOEM. BOEM provides a review schedule for the project's COP approval and conducts environmental and technical reviews of the COP. BOEM issues an Environmental Impact Statement (EIS) that assesses the environmental, social, and economic impacts of constructing the project and recommends measures to minimize impacts. The Final EIS will inform BOEM in deciding whether to approve the project or to approve with modifications and BOEM will then issue its Record of Decision. BOEM issues its final approval of the COP following the Record of Decision.

Revolution Wind and Sunrise Wind filed their COP applications with BOEM in March 2020 and September 2020, respectively. For the Revolution Wind project, BOEM released its Draft EIS on September 2, 2022 and its Final EIS on July 17, 2023. On August 21, 2023, BOEM issued its Record of Decision, which concluded BOEM's environmental review of the project and identified the recommended configuration. Final approval of the Revolution Wind project was received on November 20, 2023. For the Sunrise Wind project, BOEM released its Draft EIS on December 16, 2022 and its Final EIS on December 15, 2023. The Record of Decision is expected in the first quarter of 2024 and final approval of Sunrise Wind is expected in the second quarter of 2024.

South Fork Wind, Revolution Wind and Sunrise Wind are each designated as a "Covered Project" pursuant to Title 41 of the Fixing America's Surface Transportation Act (FAST41) and a Major Infrastructure Project under Section 3(e) of Executive Order 13807, which provides greater federal attention on meeting the projects' permitting timelines.

State and Local Siting and Permitting Process: State permitting applications in Rhode Island for Revolution Wind and in New York for Sunrise Wind were filed in December 2020. On July 8, 2022, the Rhode Island Energy Facilities Siting Board issued a Final Decision and Order approving the Revolution Wind project and granting a license to construct and operate.

On November 17, 2022, the New York Public Service Commission approved an order adopting a Joint Proposal filed by Sunrise Wind and granting a Certificate of Environmental Compatibility and Public Need. On November 18, 2022, Sunrise Wind filed its Phase 1 Environmental Management and Construction Plan (EM&CP) with the New York Public Service Commission, which details the plans on limited onshore construction activities subject to state and local jurisdiction. On March 27, 2023, Sunrise Wind filed its EM&CP for Phase 2, which covers the remainder of the project components. On June 22, 2023, Sunrise Wind received approval of the Phase 1 EM&CP. On July 13, 2023, the New York State Public Service Commission approved Sunrise Wind's notice for authorization to proceed with construction for Phase 1. On December 18, 2023, Sunrise Wind received approval of the Phase 2 EM&CP.

On November 9, 2022, the Towns of Brookhaven and Suffolk County executed the easements and other real estate rights necessary to construct the Sunrise Wind project. On November 28, 2022, the Town of North Kingstown and the Quonset Development Corporation approved Revolution Wind's real estate PILOT terms and the personal property PILOT agreement necessary to construct the Revolution Wind project.

Construction Process: South Fork Wind received all required approvals to start construction and the project entered the construction phase in early 2022. All major onshore construction activities, including the project's underground onshore transmission line and the onshore interconnection facility located in East Hampton, New York are complete. Offshore construction activities began in the fourth quarter of 2022, and installation of the subsea transmission cable, the monopile foundations and offshore substation was completed in 2023. Installation of the project's 11-megawatt wind turbines continued throughout 2023 and four of South Fork Wind's twelve turbines were placed into service by January 1, 2024, meeting the project commercial operation date requirements under the power purchase agreement with LIPA. All wind turbines are expected to be installed and placed into service by the end of March 2024. South Fork Wind faces several challenges and appeals of New York State and federal agency approvals, however we believe it is probable we will be able to overcome these challenges.

For Revolution Wind, on October 31, 2023, the joint venture made its final investment decision to advance to full onshore and offshore construction and installation, and major construction began in the fourth quarter of 2023 upon receipt of all necessary federal, state and local approvals. For Sunrise Wind, once all necessary federal, state and local approvals are received and the joint venture has made its final investment decision, informed in part by the outcome of the New York fourth solicitation, then major construction is expected to begin. Sunrise Wind has started limited onshore construction activities.

Projected In-Service Dates: We expect the South Fork Wind project to be in-service by the end of March 2024 and the Revolution Wind project to be in-service in late 2025. For Sunrise Wind, based on the updated BOEM permit schedule outlining when BOEM will complete its review of the COP, we currently expect an in-service date in 2026.

FERC Regulatory Matters

*FERC ROE Complaints*: Four separate complaints were filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively, the Complainants). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE billed of 10.57 percent and the maximum ROE for transmission incentive (incentive cap) of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

The ROE originally billed during the period October 1, 2011 (beginning of the first complaint period) through October 15, 2014 consisted of a base ROE of 11.14 percent and incentives up to 13.1 percent. On October 16, 2014, FERC issued Opinion No. 531-A and set the base ROE at 10.57 percent and the incentive cap at 11.74 percent for the first complaint period. This was also effective for all prospective billings to customers beginning October 16, 2014. This FERC order was vacated on April 14, 2017 by the U.S. Court of Appeals for the D.C. Circuit (the Court).

All amounts associated with the first complaint period have been refunded. Eversource has recorded a reserve of $39.1 million (pre-tax and excluding interest) for the second complaint period as of both December 31, 2023 and 2022. This reserve represents the difference between the billed rates during the second complaint period and a 10.57 percent base ROE and 11.74 percent incentive cap. The reserve consisted of $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH as of both December 31, 2023 and 2022.

On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE. Initial briefs were filed by the NETOs, Complainants and FERC Trial Staff on January 11, 2019 and reply briefs were filed on March 8, 2019. The NETOs' brief was supportive of the overall ROE methodology determined in the October 16, 2018 order provided the FERC does not change the proposed methodology or alter its implementation in a manner that has a material impact on the results.

The FERC order included illustrative calculations for the first complaint using FERC's proposed frameworks with financial data from that complaint. Those illustrative calculations indicated that for the first complaint period, for the NETOs, which FERC concludes are of average financial risk, the preliminary just and reasonable base ROE is 10.41 percent and the preliminary incentive cap on total ROE is 13.08 percent. If the results of the illustrative calculations were included in a final FERC order for each of the complaint periods, then a 10.41 percent base ROE and a 13.08 percent incentive cap would not have a significant impact on our financial statements for all of the complaint periods. These preliminary calculations are not binding and do not represent what we believe to be the most likely outcome of a final FERC order.

On November 21, 2019, FERC issued Opinion No. 569 affecting the two pending transmission ROE complaints against the Midcontinent ISO (MISO) transmission owners, in which FERC adopted a new methodology for determining base ROEs. Various parties sought rehearing. On December 23, 2019, the NETOs filed supplementary materials in the NETOs' four pending cases to respond to this new methodology because of the uncertainty of the applicability to the NETOs' cases. On May 21, 2020, the FERC issued its order in Opinion No. 569-A on the rehearing of the MISO transmission owners' cases, in which FERC again changed its methodology for determining the MISO transmission owners' base ROEs. On November 19, 2020, the FERC issued Opinion No. 569-B denying rehearing of Opinion No. 569-A and reaffirmed the methodology previously adopted in Opinion No. 569-A. The new methodology differs significantly from the methodology proposed by FERC in its October 16, 2018 order to determine the NETOs' base ROEs in its four pending cases. FERC Opinion Nos. 569-A and 569-B were appealed to the Court. On August 9, 2022, the Court issued its decision vacating MISO ROE FERC Opinion Nos. 569, 569-A and 569-B and remanded to FERC to reopen the proceedings. The Court found that FERC’s development of the new return methodology was arbitrary and capricious due to FERC’s failure to offer a reasonable explanation for its decision to reintroduce the risk-premium financial model in its new methodology for calculating a just and reasonable return. At this time, Eversource cannot predict how and when FERC will address the Court’s findings on the remand of the MISO FERC opinions or any potential associated impact on the NETOs’ four pending ROE complaint cases.

Given the significant uncertainty regarding the applicability of the FERC opinions in the MISO transmission owners’ two complaint cases to the NETOs’ pending four complaint cases, Eversource concluded that there is no reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods at this time. As well, Eversource cannot reasonably estimate a range of loss for any of the four complaint proceedings at this time. Eversource, CL&P, NSTAR Electric and PSNH currently record revenues at the 10.57 percent base ROE and incentive cap at 11.74 percent established in the October 16, 2014 FERC order.

A change of 10 basis points to the base ROE used to establish the reserves would impact Eversource’s after-tax earnings by an average of approximately $3 million for each of the four 15-month complaint periods. Prospectively from the date of a final FERC order implementing a new base ROE, based off of estimated 2023 rate base, a change of 10 basis points to the base ROE would impact Eversource’s future annual after-tax earnings by approximately $5.5 million per year, and will increase slightly over time as we continue to invest in our transmission infrastructure.

*FERC Notice of Proposed Rulemaking on Transmission Incentives:* On March 20, 2020, FERC issued a Notice of Proposed Rulemaking (NOPR) on transmission incentives. The NOPR intends to revise FERC’s electric transmission incentive policies to reflect competing uses of transmission due to generation resource mix, technological innovation and shifts in load patterns. FERC proposes to grant transmission incentives based on measurable project economics and reliability benefits to consumers rather than its current project risks and challenges framework. On July 1, 2020, Eversource filed comments generally supporting the NOPR.

On April 15, 2021, FERC issued a Supplemental NOPR that proposes to eliminate the existing 50 basis point return on equity for utilities that have been participating in a regional transmission organization (RTO ROE incentive) for more than three years. On June 25, 2021, the NETOs jointly filed comments strongly opposing FERC’s proposal. On July 26, 2021, the NETOs filed Supplemental NOPR reply comments responding to various parties advocating for the elimination of the RTO Adder. If FERC issues a final order eliminating the RTO ROE incentive as proposed in the Supplemental NOPR, the estimated annual impact (using 2023 estimated rate base) on Eversource's after-tax earnings is approximately $19.5 million. The Supplemental NOPR contemplates an effective date 30 days from the final order.

At this time, Eversource cannot predict the ultimate outcome of these proceedings, including possible appellate review, and the resulting impact on its transmission incentives.

Regulatory Developments and Rate Matters

*Electric, Natural Gas and Water Utility Retail Tariff Rates:* Each Eversource utility subsidiary is subject to the regulatory jurisdiction of the state in which it operates: CL&P, Yankee Gas and Aquarion operate in Connecticut and are subject to PURA regulation; NSTAR Electric, NSTAR Gas, EGMAand Aquarion operate in Massachusetts and are subject to DPU regulation; and PSNH and Aquarion operate in New Hampshire and are subject to NHPUC regulation. The regulated companies' distribution rates are set by their respective state regulatory commissions, and their tariffs include mechanisms for periodically adjusting their rates for the recovery of specific incurred costs.

Base Distribution Rates: In Connecticut, electric, natural gas and water utilities serving more than seventy-five thousand customers are required to file a distribution rate case within four years of the last rate case. PURA can elect to convene a general rate hearing at an interval of less than four years unless prohibited from doing so by an agency decision or other law. CL&P's and Yankee Gas' base distribution rates were each established in 2018 PURA-approved rate case settlement agreements. On October 27, 2021, PURA approved a settlement agreement for CL&P that included a current base distribution rate freeze until no earlier than January 1, 2024. The approval of the settlement agreement satisfied the Connecticut statute of rate review requirements that requires electric utilities to file a distribution rate case within four years of the last rate case.

On March 15, 2023, PURA issued a final decision that rejected Aquarion Water Company of Connecticut’s (AWC-CT) application with PURA to amend its existing rate schedules. AWC-CT filed an appeal on the decision and on May 25, 2023, the State of Connecticut Superior Court granted a permanent stay of certain orders affecting base rates, which will keep existing rates in place until the appeal is completed. For further information, see "Regulatory Developments and Rate Matters - Connecticut," below.

In Massachusetts, electric distribution companies are required to file distribution rate schedules every five years, and natural gas local distribution companies to file distribution rate schedules every 10 years, and those companies are limited to one settlement agreement in any 10-year period. NSTAR Electric's base distribution rates were established in a November 2022 DPU-approved rate case. NSTAR Gas' base distribution rates were established in an October 2020 DPU-approved rate case. EGMA's base distribution rates were established in an October 2020 DPU-approved rate settlement agreement. Aquarion is not required to initiate a rate review with the DPU. Aquarion’s base distribution rates were established in a 2018 DPU-approved rate case.

In New Hampshire, PSNH's base distribution rates were established in a December 2020 NHPUC-approved rate case settlement agreement. Aquarion's base distribution rates were established in a July 2022 NHPUC-approved rate case settlement agreement, with a single step adjustment approved on January 19, 2023. Rates were effective March 1, 2023.

Rate Reconciling Mechanisms: The Eversource electric distribution companies obtain and resell power to retail customers who choose not to buy energy from a competitive energy supplier. CL&P, NSTAR Electric and PSNH enter into full requirements energy supply procurement contracts for its customers that choose to purchase power from the electric distribution company (standard offer, basic service or default energy service, respectively). The natural gas distribution companies procure natural gas for firm and seasonal customers. These energy supply and natural gas supply procurement costs are recovered from customers in supply rates that are approved by the respective state regulatory commission. The rates are reset periodically (every six months for electric residential customers) and are fully reconciled to their costs. New energy supply rates for residential customers are established effective July 1st at CL&P and NSTAR Electric and effective August 1st at PSNH. Each electric and natural gas distribution company fully recovers its energy supply costs through approved regulatory rate mechanisms on a timely basis and, therefore, such costs have no impact on earnings. Increases or decreases in energy supply retail rates result in corresponding fluctuations in both energy supply procurement revenues and purchased power or purchased natural gas expenses on the statements of income.

The electric and natural gas distribution companies also recover certain other costs in retail rates on a fully reconciling basis through regulatory commission-approved cost tracking mechanisms and, therefore, recovery of these costs has no impact on earnings. Costs recovered through cost tracking mechanisms include, among others, electric retail transmission charges, energy efficiency program costs, electric restructuring and stranded cost recovery revenues (including securitized RRB charges), certain capital tracking mechanisms for infrastructure improvements, and additionally for the Massachusetts utilities, pension and PBOP benefits, net metering for distributed generation, and solar-related programs. The reconciliation filings compare the total actual costs allowed to revenue requirements related to these services and the difference between the costs incurred (or the rate recovery allowed) and the actual costs allowed is deferred and included, to be either recovered or refunded, in future customer rates. These cost tracking mechanisms also include certain incentives earned, return on capital tracking mechanisms, and carrying charges that are billed in rates to customers, which do impact earnings.

*Connecticut:*

CL&P Performance Based Rate Making: On May 26, 2021, in accordance with an October 2020 Connecticut law, PURA opened a proceeding to begin to evaluate and eventually implement performance based regulation (PBR) for electric distribution companies. PURA is conducting the proceeding in two phases. On January 25, 2023, PURA staff issued a proposal outlining a suggested portfolio of PBR elements for further exploration and potential implementation in the second phase of the proceeding. On April 26, 2023, PURA issued a final decision on the first phase and identified various objectives to guide PBR development and evaluate adoption of a PBR framework. The decision commenced Phase 2 by initiating three reopener dockets focused on revenue adjustment mechanisms, performance metrics and integrated distribution system planning with final decisions expected in 2025.

On November 16, 2023, PURA issued a straw proposal in the first reopener that focused on revenue adjustment mechanisms. The proposal outlines potential additions and reforms to the current revenue adjustment mechanisms, such as multi-year rate plans, earnings sharing mechanisms and the revenue decoupling mechanism, which would apply at the time of CL&P's next distribution rate case. The straw proposal is not authoritative and technical sessions are continuing prior to a final decision. PURA is expected to issue a straw proposal in the second reopener focusing on performance incentive mechanisms (PIMs) in the first quarter of 2024. The three reopener dockets continue to progress through the Phase 2 process. We continue to monitor developments in this proceeding, and at this time, we cannot predict the ultimate outcome of this proceeding and the resulting impact to CL&P.

CL&P Storm Filing: On December 22, 2023, CL&P initiated a docket seeking a prudency review of approximately $634 million of catastrophic storm costs for twenty-four weather events from January 1, 2018 to December 31, 2021. In the filing, CL&P requested PURA establish a rate to collect $50 million annually from customers from the date of the final decision in this proceeding. This rate would be effective until the next distribution rate case and would replenish the under-collected storm reserve and reduce future carrying charges for customers.

CL&P Advanced Metering Infrastructure Filing: On July 31, 2020, CL&P submitted to PURA its proposed $512 million Advanced Metering Infrastructure investment and implementation plan. On August 17, 2021, PURA issued a Notice of Request for an Amended EDC Advanced Metering Infrastructure Proposal. On November 8, 2021, CL&P submitted an Amended Proposal in response to this request with an updated schedule for the years 2022 through 2028, which included additional information as required by PURA. As required, the plan includes a full deployment of advanced metering functionality and a composite business case in support of the Advanced Metering Infrastructure plan. On January 3, 2024, PURA issued a final decision regarding CL&P's Advanced Metering Infrastructure investment and implementation plan, which CL&P most recently estimated at $766.4 million for capital costs and one-time operating expenses. In CL&P's view, the final decision does not provide a reasonable path for cost recovery and delays implementation by a year. In addition, the final decision modifies the prudence standard for recovery of costs expended on the project, improperly linking recovery to outcomes not known at the outset of the project. On January 18, 2024, CL&P submitted a motion for reconsideration to PURA asking that the agency modify these aspects of the decision.

Termination of Park City Wind's Power Purchase Agreement with CL&P: On October 2, 2023, Park City Wind LLC and CL&P signed an agreement to terminate the Park City Wind offshore wind generation PPA, at the request of Park City Wind LLC. The termination agreement was effective on October 13, 2023, the date of PURA approval. In October 2023, Park City Wind LLC paid a termination payment of $12.9 million to CL&P resulting from the termination of the PPA, which CL&P will return to customers.

Aquarion Water Company of Connecticut Distribution Rate Case:On August 29, 2022, Aquarion Water Company of Connecticut (AWC-CT) filed an application with PURAto amend its existing rate schedules to address an operating revenue deficiency. AWC-CT's rate application requested approval of rate increases of $27.5 million, an additional $13.6 million, and an additional $8.8 million, effective March 15, 2023, 2024, and 2025, respectively. On March 15, 2023, PURA issued a final decision that rejected this request. In this decision, PURA ordered a base distribution rate decrease of $2.0 million effective March 15, 2023. The decision allows an authorized regulatory ROE of 8.70 percent. On March 30, 2023, AWC-CT filed an appeal on the decision and requested a stay of the decision with the State of Connecticut Superior Court. On April 5, 2023, the Court temporarily granted AWC-CT's request to stay and on May 25, 2023 granted a permanent stay of certain orders affecting base rates, which will keep existing rates in place until the appeal is completed. The stay included the condition that AWC-CT place any revenue received from customers above the rates and amounts authorized in the March 15, 2023 decision in a separate, interest bearing account until further order. A hearing on the merits of the appeal was held on January 11, 2024. A decision from the State of Connecticut Superior Court is pending.

*Massachusetts:*

NSTAR Electric Distribution Rates: On November 30, 2022, the DPU issued its decision in the NSTAR Electric distribution rate case and approved a base distribution rate increase of $64 million effective January 1, 2023.

NSTAR Electric's PBR mechanism allows for an annual adjustment to base distribution rates for inflation, exogenous events and future capital additions based on a historical five-year average of total capital additions. NSTAR Electric submitted its first annual PBR Adjustment filing on September 15, 2023 and on December 26, 2023, the DPU approved a $104.9 million increase to base distribution rates effective January 1, 2024. The base distribution rate increase was comprised of a $50.6 million inflation-based adjustment and a $54.3 million K-bar adjustment for capital additions based on the difference between the historical five-year average of total capital additions and the base capital revenue requirement.

NSTAR Electric's Electric Sector Modernization Plan (ESMP) Filing: Massachusetts state law requires the electric distribution companies to file a comprehensive distribution system plan by January 29, 2024, to proactively upgrade the distribution system (and, where applicable, the associated transmission system) to: (i) improve grid reliability, communications and resiliency; (ii) enable increased, timely adoption of renewable energy and distributed energy resources; (iii) promote energy storage and electrification technologies necessary to decarbonize the environment and economy; (iv) prepare for future climate-driven impacts on the transmission and distribution systems; (v) accommodate increased transportation electrification, increased building electrification and other potential future demands on distribution and, where applicable, the transmission system; and (vi) minimize or mitigate impacts on Massachusetts ratepayers, thereby helping the state realize its statewide greenhouse gas emissions limits and sublimits under the law. On January 29, 2024, NSTAR Electric filed its ESMP with the DPU. NSTAR Electric's plan meets these requirements by providing a comprehensive view of all the investments required to build a safer, more reliable, more resilient electric distribution system taking into account the needs of environmental justice communities. For the five-year period from 2025 through 2029, the proposed incremental capital investment is $608 million and the incremental expense amount is $211 million. The DPU must approve, approve with modification, or reject the ESMP filing within seven months after filing.

Termination of SouthCoast Wind's Power Purchase Agreements with NSTAR Electric: On August 28, 2023, SouthCoast Wind Energy LLC and NSTAR Electric signed agreements to terminate three SouthCoast Wind offshore wind generation PPAs, at the request of SouthCoast Wind Energy LLC. The termination agreements were effective on September 29, 2023, the date of DPU approval. In October 2023, SouthCoast Wind Energy, LLC paid a termination payment totaling $32.5 million to NSTAR Electric resulting from the termination of the PPAs, which NSTAR Electric will return to customers.

Termination of Commonwealth Wind's Power Purchase Agreement with NSTAR Electric: On July 13, 2023, Commonwealth Wind, LLC and NSTAR Electric signed an agreement to terminate the Commonwealth Wind offshore wind generation PPA, at the request of Commonwealth Wind, LLC. The termination agreement was effective on August 23, 2023, the date of DPU approval. In October 2023, Commonwealth Wind, LLC paid a termination payment of $25.9 million to NSTAR Electric, which NSTAR Electric will return to customers.

NSTAR Gas Distribution Rates:NST AR Gas' PBR mechanism allows for an annual adjustment to base distribution rates for inflation and exogenous events. NSTAR Gas submitted its third annual PBR Adjustment filing on September 15, 2023 and on October 30, 2023, the DPU approved a $25.4 million increase to base distribution rates, of which, $15.5 million was associated with a base rate adjustment and the remainder for a prior period exogenous cost adjustment, for effect on November 1, 2023.

*New Hampshire:*

PSNH Pole Acquisition Approval: On November 18, 2022, the NHPUC issued a decision that approved a proposed purchase agreement between PSNH and Consolidated Communications, in which, PSNH would acquire both jointly-owned and solely-owned poles and pole assets. The NHPUC also authorized PSNH to recover certain expenses associated with the operation and maintenance of the transferred poles, pole inspections, and vegetation management expenses through a new cost recovery mechanism, the PPAM, subject to consummation of the purchase agreement. The purchase agreement was finalized on May 1, 2023 for a purchase price of $23.3 million. Upon consummation of the purchase agreement, PSNH established a regulatory asset of $16.9 million for operation and maintenance expenses and vegetation management expenses associated with the purchased poles incurred from February 10, 2021 through April 30, 2023 that PSNH is authorized to collect through the PPAM regulatory tracking mechanism. The establishment of the PPAM regulatory asset resulted in a pre-tax benefit recorded in Amortization expense on the PSNH statement of income in 2023.

PSNH Energy Efficiency Plan: On February 24, 2022, a state law was enacted that directed that the joint utility energy efficiency plan and programming framework in effect on January 1, 2021 be utilized going forward, including utility performance incentive payments, lost base revenue calculations, and Evaluation, Measurement, and Verification process. Additionally, the law established a process for future plan proposals, including the 2024 through 2026 triennial plan, and includes a mechanism for future rate increases based on the consumer price index.

On November 30, 2023, the NHPUC approved a three-year joint utility energy efficiency plan for 2024 through 2026, of which, $158 million is the PSNH program budget over the next three years. Additionally, on December 22, 2023, the NHPUC approved the annual LBR rate for 2024, allowing PSNH to recover approximately $14 million in revenue that would have been collected if not for the implementation of energy efficiency measures.

Legislative and Policy Matters

*Connecticut:* On June 29, 2023, Connecticut enacted Public Act No. 23-102 (Substitute Senate Bill No. 7) (the Act) that encompasses 40 sections. The Act prohibits recovery in retail rates of certain costs incurred by utilities, including costs for consultants and outside counsel for rate cases, membership dues, and lobbying. None of the rate-setting provisions will result in an immediate change to rates, as all will require some future process, primarily a general distribution rate proceeding before PURA.

The Act also makes prospective adjustments to the timing and procedures used in the retail rate setting process, including (1) requiring additional procedural steps to be satisfied for proposed settlements of cases; (2) increasing the deadline to issue a final decision on an application from a water company to amend base rates from 200 days to 270 days; (3) authorizing PURA to elect to evaluate if rates should be reduced on an interim basis if a utility earns an ROE that exceeds its authorized ROE by 50 basis points over a rolling 12-month period ending with the two most recent consecutive financial quarters (instead of the current standard of 100 basis points); and (4) authorizing PURA to elect to convene a general rate hearing at an interval of less than four years unless prohibited from doing so by an agency decision or other law. The Act is prospective, not retroactive and therefore, does not change obligations or rate provisions established by settlements implemented prior to the Act.

The Act also prohibits CL&P’s electric system improvements (ESI) capital tracking mechanism from being reauthorized in the next general distribution proceeding. The ESI will therefore remain in place until base distribution rates are adjusted in CL&P’s next general distribution rate proceeding. The Act also excludes storms and other emergencies affecting 70 percent or more of an electric distribution company’s customers from the 2020 law requiring credits for residential customers who are without power for 96 or more consecutive hours.

Lastly, the Act was amended by Public Act No. 23-204 (House Bill No. 6941) to require the Governor to designate the chairperson of PURA from among the sitting commissioners by June 30, 2023 and every two years thereafter; and to delete the changes in Section 21 of the Act to the duties and powers of PURAcommissioners. Designation of the chairperson does not constitute a renomination for a full commission term, as otherwise provided by law.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and, at times, difficult, subjective or complex judgments. Changes in these estimates, assumptions and judgments, in and of themselves, could materially impact our financial position, results of operations or cash flows. Our management discusses with the Audit Committee of our Board of Trustees significant matters relating to critical accounting policies. Our critical accounting policies are discussed below. See the combined notes to our financial statements for further information concerning the accounting policies, estimates and assumptions used in the preparation of our financial statements.

*Regulatory Accounting*: Our regulated companies are subject to rate regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the timing of the recognition of certain revenues and expenses. The regulated companies' financial statements reflect the effects of the rate-making process. The rates charged to the customers of our regulated companies are designed to collect each company's costs to provide service, plus a return on investment.

We believe that the operations of each of our regulated companies currently satisfy the criteria for application of regulatory accounting. If events or circumstances should change in a future period so that those criteria are no longer satisfied, we would be required to eliminate any associated regulatory assets and liabilities and the impact would be recognized in the statement of income and may result in a material adverse effect on results of operations and financial condition.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, we record regulatory assets before approval for recovery has been received from the applicable regulatory commission. We must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. We base our conclusion on certain factors, including, but not limited to, regulatory precedent.

Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers. We make judgments regarding the future outcome of regulatory proceedings that involve potential future refund to customers and record liabilities for these loss contingencies when probable and reasonably estimable based upon available information. Regulatory liabilities are recorded at the best estimate, or at a low end of the range of possible loss. The amount recorded may differ from when the uncertainty is resolved. Such differences could have a significant impact on our financial statements.

We continually assess whether the regulatory assets and liabilities continue to meet the criteria for probable future recovery or refund. This assessment includes consideration of recent orders issued by regulatory commissions, the passage of new legislation, historical regulatory treatment for similar costs in each of our jurisdictions, discussions with legal counsel, the status of any appeals of regulatory decisions, and changes in applicable regulatory and political environments. We believe that we will continue to be able to defer and recover prudently incurred costs, including additional storm costs, based on the legal and regulatory framework.

We use judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on our financial statements. The ultimate outcome of regulatory rate proceedings could have a significant effect on our ability to recover costs or earn an adequate return. Established rates are also often subject to subsequent prudency reviews by state regulators, whereby various portions of rates could be adjusted, subject to refund or disallowed. Storm restoration and pre-staging costs are subject to prudency reviews from our regulators. We have $1.75 billion of deferred storm costs that either have yet to be filed with the applicable regulatory commission, are pending regulatory approval, or are subject to prudency review as of December 31, 2023. Tropical Storm Isaias resulted in deferred storm restoration costs of approximately $232 million at CL&P as of December 31, 2023. While it is possible that some amount of the Tropical Storm Isaias costs may be disallowed by PURA, any such amount cannot be estimated at this time. We believe that our storm restoration costs were prudently incurred, meet the criteria for cost recovery and are probable of recovery.

We believe it is probable that each of our regulated companies will recover its respective investments in long-lived assets and the regulatory assets that have been recorded. If we determine that we can no longer apply the accounting guidance applicable to rate-regulated enterprises, or that we cannot conclude it is probable that costs will be recovered from customers in future rates, the applicable costs would be charged to net income in the period in which the determination is made.

*Pension, SERP and PBOP:* We sponsor Pension, SERP and PBOP Plans to provide retirement benefits to our employees. Plan assets and the benefit obligation are presented on a net basis and we recognize the overfunded or underfunded status of the plans as an asset or liability on the balance sheet. These amounts are remeasured annually using a December 31st measurement date. For each of these plans, several significant assumptions are used to determine the projected benefit obligation, funded status and net periodic benefit expense/income. These assumptions include the expected long-term rate of return on plan assets, discount rate, compensation/progression rate and mortality and retirement assumptions. We evaluate these assumptions annually and adjust them as necessary. Changes in these assumptions could have a material impact on our financial position, results of operations or cash flows.

Expected Long-Term Rate of Return on Plan Assets Assumption: In developing the expected long-term rate of return, we consider historical and expected returns, as well as input from our consultants. Our expected long-term rate of return on assets is based on assumptions regarding target asset allocations and corresponding expected rates of return for each asset class. We routinely review the actual asset allocations and periodically rebalance the investments to the targeted asset allocations. For the year ended December 31, 2023, our expected long-term rate-of-return assumption used to determine our pension and PBOP expense was 8.25 percent for the Eversource Service Pension and PBOP plans. For the forecasted 2024 pension and PBOP expense, an expected long-term rate of return of 8.25 percent for the Eversource Service Pension and PBOP plans will be used reflecting our target asset allocations.

Discount Rate Assumptions: Payment obligations related to the Pension, SERP and PBOP Plans are discounted at interest rates applicable to the expected timing of each plan's cash flows. The discount rate that was utilized in determining the pension, SERP and PBOP obligations was based on a yield-curve approach. This approach utilizes a population of bonds with an average rating of AA based on bond ratings by Moody's, S&P and Fitch, and uses bonds with above median yields within that population. As of December 31, 2023, the discount rates used to determine the funded status were within a range of 4.9 percent to 5.0 percent for the Pension and SERP Plans, and 5.0 percent to 5.2 percent for the PBOPPlans. As of December 31, 2022, the discount rates used were within a range of 5.1 percent to 5.2 percent for the Pension and SERP Plans, and 5.2 percent for the PBOPPlans. The decrease in the discount rates used to calculate the funded status resulted in an increase to the Pension and SERPPlans' projected benefit obligation of $98.9 million and an increase to the PBOP Plans' projected benefit obligation of $12.0 million as of December 31, 2023.

The Company uses the spot rate methodology for the service and interest cost components of Pension, SERP and PBOP expense because it provides a relatively precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve. The discount rates used to estimate the 2023 expense were within a range of 4.9 percent to 5.3 percent for the Pension and SERP Plans, and within a range of 5.1 percent to 5.4 percent for the PBOPPlans.

Mortality Assumptions: Assumptions as to mortality of the participants in our Pension, SERP and PBOP Plans are a key estimate in measuring the expected payments a participant may receive over their lifetime and the corresponding plan liability we need to record. The mortality assumption is composed of a base table that represents the current expectation of life expectancy of the population adjusted by an improvement scale that attempts to anticipate future improvements in life expectancy. In 2023, our mortality assumption utilized the Society of Actuaries base mortality tables (Pri-2012), adjusted to reflect Eversource's own mortality experience, and projected generationally using the MP-2021 improvement scale.

Compensation/Progression Rate Assumptions: This assumption reflects the expected long-term salary growth rate, including consideration of the levels of increases built into collective bargaining agreements, and impacts the estimated benefits that Pension and SERP Plan participants will receive in the future. As of December 31, 2023 and 2022, the compensation/progression rates used to determine the funded status were within a range of 3.5 percent to 4.0 percent.

Health Care Cost Assumptions: The Eversource Service PBOP Plan is not subject to health care cost trends. As of December 31, 2023, for the Aquarion PBOP Plan, the health care trend rate used to determine the funded status for pre-65 retirees is 6.75 percent, with an ultimate rate of 5 percent in 2031, and for post-65 retirees, the health care trend rate and ultimate rate is 3.5 percent.

Actuarial Gains and Losses: Actuarial gains and losses represent the differences between actuarial assumptions and actual information or updated assumptions. Unamortized actuarial gains or losses arising at the December 31st measurement date are primarily from differences in actual investment performance compared to our expected return and changes in the discount rate assumption. The Eversource Service Pension and PBOP Plans use the corridor approach to determine the amount of gain or loss to amortize into net periodic benefit expense/income. The corridor approach defers all actuarial gains and losses arising at remeasurement and the net unrecognized actuarial gain or loss balance is amortized as a component of expense if, as of the beginning of the year, that net gain or loss exceeds 10 percent of the greater of the market value of the plan's assets or the projected benefit obligation. The amount of net unrecognized actuarial gain or loss in excess of the 10 percent corridor is amortized to expense over the estimated average future employee service period. For the Eversource Service Pension Plan, the net actuarial gain or loss is amortized as a component of expense over the estimated average future employee service period of seven years. For the Eversource Service PBOP Plan, the net unrecognized actuarial gain or loss was within the 10 percent corridor and therefore there was no amortization to expense during 2023.

A decrease in the discount rate used to determine our pension funded status would increase our projected benefit obligation at December 31st, resulting in a higher unamortized actuarial loss to be recognized in future years' pension expense, subject to exceeding the 10 percent corridor. A decrease in the discount rate at December 31st would also result in a decrease in the interest cost component and an increase in the service cost component of the subsequent year's benefit plan expense.

The calculated expected return on plan assets is compared to the actual return or loss on plan assets at the end of each year to determine the investment gains or losses to be immediately reflected in unamortized actuarial gains and losses. An underperformance of our pension plan investment returns relative to the expected returns would increase our pension liability at December 31st, resulting in a higher unamortized actuarial loss to be recognized in future years' pension expense, subject to exceeding the 10 percent corridor, and a lower expected return on assets component of pension expense in future years' pension expense.

Net Periodic Benefit Expense/Income: Pension, SERP and PBOP expense/income is determined by our actuaries and consists of service cost and prior service cost/credit, interest cost based on the discounting of the obligations, amortization of actuarial gains and losses, and the expected return on plan assets. For the Pension and SERP Plans, pre-tax net periodic benefit income was $108.4 million and $181.6 million for the years ended December 31, 2023 and 2022, respectively, and there was pre-tax net periodic benefit expense of $23.6 million for the year ended December 31, 2021. For the PBOP Plans, pre-tax net periodic benefit income was $57.3 million, $79.8 million and $60.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The change in pension, SERP and PBOP expense/income arising from the annual remeasurement does not fully impact earnings. Our Massachusetts utilities recover qualified pension and PBOP expenses related to their distribution operations through a rate reconciling mechanism that fully tracks the change in net pension and PBOP expenses each year, therefore the change in their pension and PBOP expense does not impact earnings. Our electric transmission companies' rates provide for an annual true-up of estimated to actual costs, which include pension expenses, therefore the change in their pension expense does not impact earnings. Any differences between the fixed level of PBOPexpense included in our formula rate and the PBOP expense calculated in accordance with authoritative accounting guidance is accumulated as a regulatory asset or liability, and is expected, over time, to be recovered from or returned to customers. Additionally, the portion of our pension and PBOP expense that relates to company labor devoted to capital projects is capitalized on the balance sheet instead of being charged to expense.

Forecasted Expense/Income and Expected Contributions: We estimate that net periodic benefit income in 2024 for the Pension and SERP Plans will be approximately $90 million and for the PBOP Plans will be approximately $65 million. The decrease in pension income from 2023 to 2024 is driven primarily by higher amortization of actuarial loss due to unrecognized actuarial loss arising in 2023, partially offset by the absence in 2024 of a 2023 SERP settlement charge and a decrease in the interest cost component due to a lower discount rate. The increase in PBOP income from 2023 to 2024 is driven primarily by favorable expected return on assets due to a higher asset balance and a decrease in the interest cost component due to a lower discount rate. For the PBOP Plans, there is no amortization of actuarial loss in 2024. Pension, SERP and PBOP expense/income for subsequent years will depend on future investment performance, changes in future discount rates and other assumptions, and various other factors related to the populations participating in the plans.

Our policy is to fund the Pension Plans annually in an amount at least equal to the amount that will satisfy all federal funding requirements. Based on the current status of the Pension Plans and federal pension funding requirements, there is no minimum funding requirement for our Eversource Service Pension Plan in 2024 and we do not expect to make pension contributions in 2024. It is our policy to fund the PBOP Plans annually through tax deductible contributions to external trusts. We do not expect to make any contributions to the Eversource Service PBOP Plan in 2024.

Sensitivity Analysis: The following table illustrates the hypothetical effect on reported annual net periodic benefit income as a result of a change in the following assumptions by 50 basis points:

| | Pension Plans (excluding SERP Plans) | | PBOP Plans | |
|---|---|---|---|---|
| | Decrease in Plan Income | | Decrease in Plan Income | |
| *(Millions of Dollars)* | For the Years Ended December 31, | | For the Years Ended December 31, | |
| **Eversource** | **2023** | **2022** | **2023** | **2022** |
| Lower expected long-term rate of return | $ 29.1 | $ 32.5 | $ 0.2 | $ 5.6 |
| Lower discount rate | 24.7 | 32.6 | 4.7 | 1.7 |
| Higher compensation rate | 8.1 | 7.6 | N/A | N/A |

*Goodwill:* We recorded goodwill on our balance sheet associated with previous mergers and acquisitions, all of which totaled $4.53 billion as of December 31, 2023. We have identified our reporting units for purposes of allocating and testing goodwill as Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution. Electric Distribution and Electric Transmission reporting units include carrying values for the respective components of CL&P, NSTAR Electric and PSNH. The Natural Gas Distribution reporting unit includes the carrying values of NSTAR Gas, Yankee Gas and EGMA. The Water Distribution reporting unit includes the Aquarion water utility businesses. As of December 31, 2023, goodwill was allocated to the reporting units as follows: $2.54 billion to Electric Distribution, $577 million to Electric Transmission, $451 million to Natural Gas Distribution and $961 million to Water Distribution.

We are required to test goodwill balances for impairment at least annually by considering the fair values of the reporting units, which requires us to use estimates and judgments. Additionally, we monitor all relevant events and circumstances during the year to determine if an interim impairment test is required. We have selected October 1st of each year as the annual goodwill impairment test date. Goodwill impairment is deemed to exist if the carrying amount of a reporting unit exceeds its estimated fair value. If goodwill were deemed to be impaired, it would be written down in the current period to the extent of the impairment.

In assessing goodwill for impairment, an entity is permitted to first assess qualitatively whether it is more likely than not that goodwill impairment exists as of the annual impairment test date. A quantitative impairment test is required only if it is concluded that it is more likely than not that a reporting unit's fair value is less than its carrying amount.

We performed an impairment assessment of goodwill as of October 1, 2023 for the Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reporting units. Our qualitative assessment included an evaluation of multiple factors that impact the fair value of the reporting units, including general, macroeconomic and market conditions, and entity-specific assumptions that affect the future cash flows of the reporting units. Key considerations include discount rates, utility sector market performance and merger transaction multiples, the Company's share price and credit ratings, analyst reports, financial performance, cost and risk factors, internal estimates and projections of future cash flows and net income, long-term strategy, the timing and outcome of rate cases, and recent regulatory and legislative proceedings.

The 2023 goodwill impairment assessment resulted in a conclusion that goodwill is not impaired. We believe that the fair value of the reporting units was substantially in excess of carrying value. Adverse regulatory actions, changes in the regulatory and political environment, or changes in significant assumptions could potentially result in future goodwill impairment indicators.

*Long-Lived Assets:* Impairment evaluations of long-lived assets, including property, plant and equipment and other assets, involve a significant degree of estimation and judgment, including identifying circumstances that indicate an impairment may exist. An impairment analysis is required when events or changes in circumstances indicate that the carrying value of a long-lived asset may not be recoverable. Indicators of potential impairment include a deteriorating business climate, unfavorable regulatory action, decline in value that is other than temporary in nature, plans to dispose of a long-lived asset significantly before the end of its useful life, and accumulation of costs that are in excess of amounts allowed for recovery. The review of long-lived assets for impairment utilizes significant assumptions about operating strategies and external developments, including assessment of current and projected market conditions that can impact future cash flows. If indicators are present for a long-lived asset or asset group, a comparison of the undiscounted expected future cash flows to the carrying value is performed. No impairments occurred during the year 2023.

*Equity Method Investments:* Investments in affiliates where we have the ability to exercise significant influence, but not control, over an investee are initially recognized as an equity method investment at cost. Any differences between the cost of an investment and the amount of underlying equity in net assets of an investee are considered basis differences and are determined based upon the estimated fair values of the investee's identifiable assets and liabilities.

Equity method investments are assessed for impairment when conditions exist as of the balance sheet date that indicate that the fair value of the investment may be less than book value. Eversource continually monitors and evaluates its equity method investments to determine if there are indicators of an other-than-temporary impairment. If the decline in value is considered to be other-than-temporary, the investment is written down to its estimated fair value, which establishes a new cost basis in the investment. Subsequent declines or recoveries after the reporting date are not considered in the impairment recognized. Investments that are other-than-temporarily impaired and written down to their estimated fair value cannot subsequently be written back up for increases in estimated fair value. Impairment evaluations involve a significant degree of judgment and estimation, including identifying circumstances that indicate an impairment may exist at the equity method investment level, selecting discount rates used to determine fair values, and developing an estimate of discounted future cash flows expected from investment operations or the sale of the investment.

In connection with the process to divest its offshore wind business, Eversource identified indicators for impairment in both the second and fourth quarters of 2023. In each impairment assessment, Eversource evaluated its investments and determined that the carrying value of the equity method offshore wind investments exceeded the fair value of the investments and that the decline was other-than-temporary. The impairment evaluations involved judgments in developing the estimate and timing of future cash flows, including key judgments in determining the most likely outcome of the projects, the likelihood of realization of investment tax credit adders, and the likelihood of future spending amounts and cost overruns, as well as potential cancellation costs and salvage values of Sunrise Wind assets. The assumptions used in the discounted cash flow analyses are subject to inherent uncertainties and subjectivity. The use of different assumptions, estimates, or judgments with respect to the estimation of future cash flows could materially change the impairment charges. The impairment evaluations were based on best information available at the impairment assessment date.

Management will continue to monitor and evaluate all facts and circumstances in the offshore wind sales process and the impact on its investment balance. Adverse changes in facts and circumstances of estimates and timing of future cash flows and the factors described above could result in the recognition of additional, significant impairment charges and could be material to the financial statements. See Note 6, "Investments in Unconsolidated Affiliates," to the financial statements for further information on the impairments to Eversource's offshore wind equity method investments carrying value.

*Income Taxes:* Income tax expense is estimated for each of the jurisdictions in which we operate and is recorded each quarter using an estimated annualized effective tax rate. This process to record income tax expense involves estimating current and deferred income tax expense or benefit and the impact of temporary differences resulting from differing treatment of items for financial reporting and income tax return reporting purposes. Such differences are the result of timing of the deduction for expenses, as well as any impact of permanent differences, or other items that directly impact income tax expense as a result of regulatory activity (flow-through items). The temporary differences and flow-through items result in deferred tax assets and liabilities that are included in the balance sheets.

We also account for uncertainty in income taxes, which applies to all income tax positions previously filed in a tax return and income tax positions expected to be taken in a future tax return that have been reflected on our balance sheets. The determination of whether a tax position meets the recognition threshold under applicable accounting guidance is based on facts and circumstances available to us.

The interpretation of tax laws and associated regulations involves uncertainty since tax authorities may interpret the laws differently. Ultimate resolution or clarification of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities and valuation allowances. We evaluate the probability of realizing deferred tax assets by reviewing a forecast of future taxable income and our intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. We also assess negative evidence, such as the expiration of historical operating loss or tax credit carryforwards, that could indicate the inability to realize the deferred tax assets. Valuation allowances are provided to reduce deferred tax assets to the amount that will more likely than not be realized in future periods. This requires management to make judgments and estimates regarding the amount and timing of the reversal of taxable temporary differences, expected future taxable income, and the impact of tax planning strategies.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including future changes in income tax laws, not realizing expected tax planning strategy amounts, as well as results of audits and examinations of filed tax returns by taxing authorities.

*Accounting for Environmental Reserves:* Environmental reserves are accrued when assessments indicate it is probable that a liability has been incurred and an amount can be reasonably estimated. Increases to estimates of environmental liabilities could have an adverse impact on earnings. We estimate these liabilities based on findings through various phases of the assessment, considering the most likely action plan from a variety of available remediation options (ranging from no action required to full site remediation and long-term monitoring), current site information from our site assessments, remediation estimates from third party engineering and remediation contractors, and our prior experience in remediating contaminated sites. If a most likely action plan cannot yet be determined, we estimate the liability based on the low end of a range of possible action plans. A significant portion of our environmental sites and reserve amounts relate to former MGP sites that were operated several decades ago and manufactured natural gas from coal and other processes, which resulted in certain by-products remaining in the environment that may pose a potential risk to human health and the environment, for which we may have potential liability. Estimates are based on the expected remediation plan. Our estimates are subject to revision in future periods based on actual costs or new information from other sources, including the level of contamination at the site, the extent of our responsibility or the extent of remediation required, recently enacted laws and regulations or a change in cost estimates.

*Fair Value Measurements:* We follow fair value measurement guidance that defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We have applied this guidance to our Company's derivative contracts that are not elected or designated as "normal purchases" or “normal sales,” to marketable securities held in trusts, and to our investments in our Pension and PBOP Plans. Fair value measurements are also incorporated into the accounting for goodwill, long-lived assets, equity method investments, AROs, and in the valuation of business combinations and asset acquisitions. The fair value measurement guidance was also applied in estimating the fair value of preferred stock, long-term debt and RRBs.

Changes in fair value of our derivative contracts are recorded as Regulatory Assets or Liabilities, as we recover the costs of these contracts in rates charged to customers. These valuations are sensitive to the prices of energy-related products in future years and assumptions made.

We use quoted market prices when available to determine the fair value of financial instruments. When quoted prices in active markets for the same or similar instruments are not available, we value derivative contracts using models that incorporate both observable and unobservable inputs. Discounted cash flow valuations incorporate estimates of premiums or discounts, reflecting risk-adjusted profit that would be required by a market participant to arrive at an exit price, using available historical market transaction information. Valuations of derivative contracts also reflect our estimates of nonperformance risk, including credit risk.

**RESULTS OF OPERATIONS – EVERSOURCE ENERGY AND SUBSIDIARIES**

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for Eversource for the years ended December 31, 2023 and 2022 included in this Annual Report on Form 10-K:

| *(Millions of Dollars)* | For the Years Ended December 31, 2023 | 2022 | Increase/(Decrease) |
|---|---|---|---|
| Operating Revenues | $ 11,910.7 | $ 12,289.3 | $ (378.6) |
| Operating Expenses: | | | |
| Purchased Power, Purchased Natural Gas and Transmission | 5,168.2 | 5,014.1 | 154.1 |
| Operations and Maintenance | 1,895.7 | 1,865.3 | 30.4 |
| Depreciation | 1,305.8 | 1,194.2 | 111.6 |
| Amortization | (490.1) | 448.9 | (939.0) |
| Energy Efficiency Programs | 691.4 | 658.0 | 33.4 |
| Taxes Other Than Income Taxes | 940.4 | 910.6 | 29.8 |
| Total Operating Expenses | 9,511.4 | 10,091.1 | (579.7) |
| Operating Income | 2,399.3 | 2,198.2 | 201.1 |
| Interest Expense | 855.4 | 678.3 | 177.1 |
| Impairments of Offshore Wind Investments | 2,167.0 | — | 2,167.0 |
| Other Income, Net | 348.1 | 346.1 | 2.0 |
| (Loss)/Income Before Income Tax Expense | (275.0) | 1,866.0 | (2,141.0) |
| Income Tax Expense | 159.7 | 453.6 | (293.9) |
| Net (Loss)/Income | (434.7) | 1,412.4 | (1,847.1) |
| Net Income Attributable to Noncontrolling Interests | 7.5 | 7.5 | — |
| Net (Loss)/Income Attributable to Common Shareholders | $ (442.2) | $ 1,404.9 | $ (1,847.1) |

**Operating Revenues**

Sales Volumes: A summary of our retail electric GWh sales volumes, our firm natural gas MMcf sales volumes, and our water MG sales volumes, and percentage changes, is as follows:

| | Electric | | | Firm Natural Gas | | | Water | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sales Volumes (GWh) 2023 | 2022 | Percentage Decrease | Sales Volumes (MMcf) 2023 | 2022 | Percentage Decrease | Sales Volumes (MG) 2023 | 2022 | Percentage Decrease |
| Traditional | 7,590 | 7,764 | (2.2)% | — | — | — % | 1,488 | 1,857 | (19.9)% |
| Decoupled | 41,978 | 43,493 | (3.5)% | 142,328 | 152,291 | (6.5)% | 23,129 | 23,154 | (0.1)% |
| Total Sales Volumes | 49,568 | 51,257 | (3.3)% | 142,328 | 152,291 | (6.5)% | 24,617 | 25,011 | (1.6)% |

Weather, fluctuations in energy supply rates, conservation measures (including utility-sponsored energy efficiency programs), and economic conditions affect customer energy usage and water consumption. Industrial sales volumes are less sensitive to temperature variations than residential and commercial sales volumes. In our service territories, weather impacts both electric and water sales volumes during the summer and both electric and natural gas sales volumes during the winter; however, natural gas sales volumes are more sensitive to temperature variations than electric sales volumes. Customer heating or cooling usage may not directly correlate with historical levels or with the level of degree-days that occur.

Fluctuations in retail electric sales volumes at PSNH impact earnings ("Traditional" in the table above). For CL&P, NSTAR Electric, NSTAR Gas, EGMA, Yankee Gas, and our Connecticut water distribution business, fluctuations in retail sales volumes do not materially impact earnings due to their respective regulatory commission-approved distribution revenue decoupling mechanisms ("Decoupled" in the table above). These distribution revenues are decoupled from their customer sales volumes, which breaks the relationship between sales volumes and revenues recognized.

Operating Revenues: The variance in Operating Revenues by segment in 2023, as compared to 2022, is as follows:

| *(Millions of Dollars)* | Increase/(Decrease) |
|---|---|
| Electric Distribution | $ (431.8) |
| Natural Gas Distribution | 6.1 |
| Electric Transmission | 107.2 |
| Water Distribution | 10.0 |
| Other | 201.1 |
| Eliminations | (271.2) |
| Total Operating Revenues | $ (378.6) |

*Electric and Natural Gas Distribution Revenues*:
Base Distribution Revenues:

- Base electric distribution revenues increased $36.6 million due primarily to a base distribution rate increase at NSTAR Electric effective January 1, 2023.
- Base natural gas distribution revenues increased $18.5 million due primarily to base distribution rate increases effective November 1, 2023 and November 1, 2022 at NSTAR Gas and effective November 1, 2022 at EGMA.

Tracked Distribution Revenues: Tracked distribution revenues consist of certain costs that are recovered from customers in retail rates through regulatory commission-approved cost tracking mechanisms and therefore, recovery of these costs has no impact on earnings. Revenues from certain of these cost tracking mechanisms also include certain incentives earned, return on capital tracking mechanisms, and carrying charges that are billed in rates to customers, which do impact earnings. Costs recovered through cost tracking mechanisms include, among others, energy supply and natural gas supply procurement and other energy-related costs, electric retail transmission charges, energy efficiency program costs, electric restructuring and stranded cost recovery revenues (including securitized RRB charges), certain capital tracking mechanisms for infrastructure improvements, and additionally for the Massachusetts utilities, pension and PBOP benefits, net metering for distributed generation, and solar-related programs. Tracked revenues also include wholesale market sales transactions, such as sales of energy and energy-related products into the ISO-NE wholesale electricity market, sales of natural gas to third party marketers, and the sale of RECs to various counterparties.

Customers have the choice to purchase electricity from each Eversource electric utility or from a competitive third party supplier. For customers who have contracted separately with these competitive suppliers, revenue is not recorded for the sale of the electricity commodity, as the utility is acting as an agent on behalf of the third party supplier. For customers that choose to purchase electric generation from CL&P, NSTAR Electric or PSNH, each purchases power on behalf of, and is permitted to recover the related energy supply cost without mark-up from, its customers, and records offsetting amounts in revenues and purchased power related to this energy supply procurement. CL&P, NSTAR Electric and PSNH each remain as the distribution service provider for all customers and charge a regulated rate for distribution delivery service recorded in revenues. Certain eligible natural gas customers may elect to purchase natural gas from each Eversource natural gas utility or may contract separately with a gas supply operator. Revenue is not recorded for the sale of the natural gas commodity to customers who have contracted separately with these operators, only the delivery to a customer, as the utility is acting as an agent on behalf of the gas supply operator.

Tracked distribution revenues increased/(decreased) in 2023, as compared to 2022, due primarily to the following:

| *(Millions of Dollars)* | Electric Distribution | Natural Gas Distribution |
|---|---|---|
| Retail Tariff Tracked Revenues: | | |
| Energy supply procurement | $ 506.4 | $ (153.5) |
| CL&P FMCC | (330.1) | — |
| Retail transmission | (80.9) | — |
| Energy efficiency | 2.3 | 38.1 |
| Other distribution tracking mechanisms | (11.4) | 36.7 |
| Wholesale Market Sales Revenue | (565.9) | 65.9 |

The increase in energy supply procurement within electric distribution was driven by higher average prices, partially offset by lower average supply-related sales volumes. The decrease in energy supply procurement within natural gas distribution was driven by lower average prices and lower average supply-related sales volumes. Fluctuations in retail transmission revenues are driven by the recovery of the costs of our wholesale transmission business, such as those billed by ISO-NE and Local and Regional Network Service charges. For further information, see "*Purchased Power, Purchased Natural Gas and Transmission*" expense below.

The decrease in CL&P's FMCC revenues was driven by a decrease in the retail Non-Bypassable Federally Mandated Congestion Charge (NBFMCC) rate, which reflects the impact of returning net benefits of higher wholesale market sales received in the ISO-NE market for long-term state approved energy contracts at CL&P, which are then credited back to customers through the retail NBFMCC rate. CL&P's average NBFMCC rate in effect from January 1, 2022 through April 30, 2022 was $0.01423 per kWh and from May 1 through August 31, 2022 was $0.01251 per kWh. As a result of the CL&P RAM proceeding in Docket No. 22-01-03, CL&P reduced the average NBFMCC rate effective September 1, 2022 from $0.01251 per kWh to $0.00000 per kWh. As part of a November 2022 rate relief plan, CL&P further reduced the average NBFMCC rate effective January 1, 2023 to a credit of $0.01524 per kWh. These rate reductions returned to customers the net revenues generated by long-term state-approved energy contracts with the Millstone and Seabrook nuclear power plants. The average NBFMCC rate changed to $0.00000 per kWh effective July 1, 2023. As a result of the 2023 CL&P RAM decision, the average NBFMCC rate changed to $0.00293 per kWh effective September 1, 2023.

The decrease in electric distribution wholesale market sales revenue was due primarily to lower average electricity market prices received for wholesale sales at CL&P, NSTAR Electric and PSNH. ISO-NE average market prices received for CL&P's wholesale sales decreased to an average price of $36.60 per MWh in 2023, as compared to $82.88 per MWh in 2022, driven primarily by lower natural gas prices in New England. Volumes sold into the market were primarily from the sale of output generated by the Millstone PPA and Seabrook PPA that CL&P entered into in 2019, as required by regulation. CL&P sells the energy purchased from Millstone and Seabrook into the wholesale market and uses the proceeds from the energy sales to offset the contract costs. The net sales or net cost amount is refunded to, or recovered from, customers in the non-bypassable component of the CL&P FMCC rate.

*Electric Transmission Revenues*: Electric transmission revenues increased $107.2 million due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure.

*Other Revenues and Eliminations:* Other revenues primarily include the revenues of Eversource's service company, most of which are eliminated in consolidation. Eliminations are also primarily related to the Eversource electric transmission revenues that are derived from ISO-NE regional transmission charges to the distribution businesses of CL&P, NSTAR Electric and PSNH that recover the costs of the wholesale transmission business in rates charged to their customers.

**Purchased Power, Purchased Natural Gas and Transmission** expense includes costs associated with providing electric generation service supply and natural gas to all customers who have not migrated to third party suppliers, the cost of energy purchase contracts entered into as required by regulation, and transmission costs. These electric and natural gas supply procurement costs, other energy-related costs, and transmission costs are recovered from customers in rates through commission-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). The variance in Purchased Power, Purchased Natural Gas and Transmission expense in 2023, as compared to 2022, is due primarily to the following:

| *(Millions of Dollars)* | Increase/(Decrease) | |
|---|---|---|
| Energy supply procurement costs | $ | 495.3 |
| Other electric distribution costs | | (68.7) |
| Natural gas supply costs | | (113.9) |
| Transmission costs | | (87.1) |
| Eliminations | | (71.5) |
| Total Purchased Power, Purchased Natural Gas and Transmission | $ | 154.1 |

The variance in energy supply procurement costs is offset in Operating Revenues (tracked energy supply procurement revenues). The decrease in other electric distributions costs was primarily the result of a decrease in long-term renewable contract costs and lower net metering costs at NSTAR Electric, partially offset by higher long-term contractual energy-related costs at CL&P that are recovered in the non-bypassable component of the FMCC mechanism, and by higher net metering costs at PSNH.

Costs at the natural gas distribution segment relate to supply procurement costs for retail customers. Total natural gas costs decreased due primarily to lower average prices and lower average purchased supply volumes, partially offset by an increase in the retail cost deferral.

The decrease in transmission costs was primarily the result of a decrease in the retail transmission cost deferral, which reflects the actual cost of transmission service compared to estimated amounts billed to customers and a decrease in costs billed by ISO-NE that support regional grid investments. These decreases were partially offset by an increase in Local Network Service charges, which reflect the cost of transmission service provided by Eversource over our local transmission network.

**Operations and Maintenance** expense includes tracked costs and costs that are part of base electric, natural gas and water distribution rates with changes impacting earnings (non-tracked costs). The variance in Operations and Maintenance expense in 2023, as compared to 2022, is due primarily to the following:

| *(Millions of Dollars)* | Increase/(Decrease) |
|---|---|
| Base Electric Distribution (Non-Tracked Costs): | |
| Shared corporate costs (including IT system depreciation at Eversource Service) | $ 41.4 |
| Storm costs | 13.3 |
| Uncollectible expense | 5.1 |
| General costs (including vendor services in corporate areas, insurance, fees and assessments) | 4.7 |
| Absence in 2023 of energy assistance program as part of CL&P rate relief plan | (10.0) |
| Employee-related expenses, including labor and benefits | (9.2) |
| Operations-related expenses (including vegetation management, vendor services and vehicles) | (7.8) |
| Total Base Electric Distribution (Non-Tracked Costs) | 37.5 |
| Tracked Electric Costs (Electric Distribution and Electric Transmission) - Increase due primarily to higher uncollectible expense and higher funding of NSTAR Electric storm reserve as part of January 1, 2023 rate change, partially offset by lower pension tracking mechanism at NSTAR Electric | 44.7 |
| Total Electric Distribution and Electric Transmission | 82.2 |
| Natural Gas Distribution: | |
| Base (Non-Tracked Costs) - Increase due primarily to higher uncollectible expense and shared corporate costs, partially offset by lower employee-related expenses | 6.5 |
| Tracked Costs | (0.1) |
| Total Natural Gas Distribution | 6.4 |
| Water Distribution | 4.8 |
| Parent and Other Companies and Eliminations: | |
| Eversource Parent and Other Companies - other operations and maintenance | 158.8 |
| Transaction and Transition Costs | (17.8) |
| Eliminations | (204.0) |
| Total Operations and Maintenance | $ 30.4 |

**Depreciation** expense increased due primarily to higher net plant in service balances, partially offset by a decrease in approved depreciation rates as part of the rate case decision effective January 1, 2023 at NSTAR Electric.

**Amortization** expense includes the deferral of energy-related costs and other costs that are included in certain regulatory commission-approved cost tracking mechanisms. This deferral adjusts expense to match the corresponding revenues compared to the actual costs incurred. These costs are recovered from customers in rates and have no impact on earnings. Amortization expense also includes the amortization of certain costs as those costs are collected in rates.

Amortization decreased due primarily to the deferral adjustment of energy-related and other tracked costs at CL&P (included in the non-bypassable component of the FMCC mechanism), NSTAR Electric and PSNH, which can fluctuate from period to period based on the timing of costs incurred and related rate changes to recover these costs. The decrease in the CL&P FMCC mechanism was driven primarily by the November 2022 rate relief plan, which reduced the non-bypassable FMCC rate effective January 1, 2023. The reduction in the CL&Pnon- bypassable FMCC retail rate decreased the regulatory over-recovery balance and created an under-recovery balance as of December 31, 2023, which resulted in a decrease to amortization expense of $802.3 million. The decrease was also driven by the impact of a new regulatory tracking mechanism at PSNH that allows for the recovery of operating expenses associated with poles acquired from Consolidated Communications on May 1, 2023. The establishment of the PPAM regulatory asset resulted in a pre-tax benefit of $16.9 million recorded in Amortization expense on the statement of income in 2023.

The decrease was partially offset by the amortization of historical exogenous property taxes that were approved for recovery effective January 1, 2023 at NSTAR Electric and effective November 1, 2022 at NSTAR Gas and EGMA, and an unfavorable regulatory adjustment resulting from NSTAR Gas'GSEP reconciliation filing that resulted in an increase to amortization expense of $9.0 million recorded in2023 .

**Energy Efficiency Programs** expense increased due primarily to the deferral adjustment and the timing of the recovery of energy efficiency costs at NSTAR Gas and EGMA, partially offset by a decrease at NSTAR Electric. The deferral adjustment reflects the actual costs of energy efficiency programs compared to the amounts billed to customers. The costs for the majority of the state energy policy initiatives and expanded energy efficiency programs are recovered from customers in rates and have no impact on earnings.

**Taxes Other Than Income Taxes** expense increased due primarily to higher employment-related taxes based on the timing of payroll pay periods, higher property taxes as a result of higher assessments and higher utility plant balances, and higher Connecticut gross earnings taxes.

**Interest Expense** increased due primarily to an increase in interest on long-term debt as a result of new debt issuances ($200.3 million), an increase in interest on short-term notes payable ($43.8 million), higher amortization of debt discounts and premiums, net ($2.7 million), and an increase in interest expense on regulatory deferrals ($1.3 million), partially offset by an increase in capitalized AFUDC related to debt funds and other capitalized interest ($63.1 million), and a decrease in RRB interest expense ($1.3 million).

**Impairments of Offshore Wind Investments** relates to impairment charges in the second and fourth quarters of 2023 associated with Eversource's offshore wind equity method investments resulting from the expected sale of the 50 percent interests in three jointly-owned offshore wind projects. See "Business Development and Capital Expenditures – Offshore Wind Business" included in this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

**Other Income, Net** increased due primarily to an increase in interest income primarily from regulatory deferrals ($43.7 million) and an increase in capitalized AFUDC related to equity funds ($30.8 million), partially offset by a decrease related to pension, SERP and PBOP non-service income components ($86.9 million), a loss on the disposition of land in 2023 compared to gains on the sales of property in 2022 ($9.0 million), a decrease in equity in earnings related to Eversource's equity method investments ($7.4 million), and investment losses in 2023 compared to investment income in 2022 driven by market volatility ($6.8 million). Other Income, Net also increased due to a benefit in 2023 from the liquidation of Eversource's equity method investment in a renewable energy fund in excess of its carrying value, partially offset by a charitable contribution made with a portion of the proceeds from the liquidation in 2023.

**Income Tax Expense** decreased due primarily to lower pre-tax earnings ($449.6 million), lower state taxes ($3.4 million), a decrease in items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($7.4 million), an increase in amortization of EDIT ($2.4 million), and lower return to provision adjustments ($66.7 million), partially offset by lower share-based payment excess tax benefits ($2.6 million), and an increase in reserves ($233.0 million) primarily related to the impairment of Eversource's offshore wind investment valuation allowance reserve of $224.0 million and $8.8 million relating to an uncertain tax position.

## RESULTS OF OPERATIONS –
## THE CONNECTICUT LIGHT AND POWER COMPANY
## NSTAR ELECTRIC COMPANY AND SUBSIDIARY
## PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for CL&P, NSTAR Electric and PSNH for the years ended December 31, 2023 and 2022 included in this Annual Report on Form 10-K:

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | CL&P | | | NSTAR Electric | | | PSNH | | |
| *(Millions of Dollars)* | 2023 | 2022 | Increase/ (Decrease) | 2023 | 2022 | Increase/ (Decrease) | 2023 | 2022 | Increase/ (Decrease) |
| Operating Revenues | $ 4,578.8 | $ 4,817.7 | $ (238.9) | $ 3,515.5 | $ 3,583.1 | $ (67.6) | $ 1,447.9 | $ 1,474.8 | $ (26.9) |
| Operating Expenses: | | | | | | | | | |
| Purchased Power and Transmission | 2,612.9 | 2,110.3 | 502.6 | 1,154.0 | 1,264.8 | (110.8) | 605.0 | 665.5 | (60.5) |
| Operations and Maintenance | 733.3 | 707.2 | 26.1 | 668.5 | 640.8 | 27.7 | 284.4 | 256.0 | 28.4 |
| Depreciation | 376.9 | 355.5 | 21.4 | 372.6 | 362.0 | 10.6 | 140.4 | 128.0 | 12.4 |
| Amortization of Regulatory (Liabilities)/Assets, Net | (500.3) | 335.6 | (835.9) | 16.1 | 83.9 | (67.8) | (16.3) | 42.9 | (59.2) |
| Energy Efficiency Programs | 133.5 | 134.2 | (0.7) | 325.6 | 332.3 | (6.7) | 39.6 | 37.4 | 2.2 |
| Taxes Other Than Income Taxes | 401.1 | 384.7 | 16.4 | 256.1 | 246.7 | 9.4 | 93.9 | 95.3 | (1.4) |
| Total Operating Expenses | 3,757.4 | 4,027.5 | (270.1) | 2,792.9 | 2,930.5 | (137.6) | 1,147.0 | 1,225.1 | (78.1) |
| Operating Income | 821.4 | 790.2 | 31.2 | 722.6 | 652.6 | 70.0 | 300.9 | 249.7 | 51.2 |
| Interest Expense | 193.4 | 169.4 | 24.0 | 189.2 | 162.9 | 26.3 | 72.8 | 59.5 | 13.3 |
| Other Income, Net | 61.6 | 83.3 | (21.7) | 164.1 | 142.7 | 21.4 | 26.6 | 32.7 | (6.1) |
| Income Before Income Tax Expense | 689.6 | 704.1 | (14.5) | 697.5 | 632.4 | 65.1 | 254.7 | 222.9 | 31.8 |
| Income Tax Expense | 170.9 | 171.2 | (0.3) | 153.0 | 140.0 | 13.0 | 59.0 | 51.3 | 7.7 |
| Net Income | $ 518.7 | $ 532.9 | $ (14.2) | $ 544.5 | $ 492.4 | $ 52.1 | $ 195.7 | $ 171.6 | $ 24.1 |

**Operating Revenues**
Sales Volumes: A summary of our retail electric GWh sales volumes is as follows:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Decrease | Percentage Decrease |
| CL&P | 19,577 | 20,560 | (983) | (4.8)% |
| NSTAR Electric | 22,401 | 22,933 | (532) | (2.3)% |
| PSNH | 7,590 | 7,764 | (174) | (2.2)% |

Fluctuations in retail electric sales volumes at PSNH impact earnings. For CL&P and NSTAR Electric, fluctuations in retail electric sales volumes do not impact earnings due to their respective regulatory commission-approved distribution revenue decoupling mechanisms.

Operating Revenues: Operating Revenues, which consist of base distribution revenues and tracked revenues further described below, decreased $238.9 million at CL&P, $67.6 million at NSTAR Electric, and $26.9 million at PSNH in 2023, as compared to 2022.

*Base Distribution Revenues:*

- CL&P's distribution revenues were flat.
- NSTAR Electric's distribution revenues increased $37.4 million due primarily to a base distribution rate increase effective January 1, 2023.
- PSNH's distribution revenues decreased $0.8 million due primarily to a decrease in sales volumes as a result of milder weather in 2023 compared to 2022, partially offset by a base distribution rate increase effective August 1, 2022.

*Tracked Distribution Revenues:* Tracked distribution revenues consist of certain costs that are recovered from customers in retail rates through regulatory commission-approved cost tracking mechanisms and therefore, recovery of these costs has no impact on earnings. Revenues from certain of these cost tracking mechanisms also include certain incentives earned, return on capital tracking mechanisms, and carrying charges that are billed in rates to customers, which do impact earnings. Costs recovered through cost tracking mechanisms include, among others, energy supply procurement and other energy-related costs, retail transmission charges, energy efficiency program costs, electric restructuring and stranded cost recovery revenues (including securitized RRB charges), certain capital tracking mechanisms for infrastructure improvements, and additionally for NSTAR Electric, pension and PBOP benefits, net metering for distributed generation, and solar-related programs. Tracked revenues also include wholesale market sales transactions, such as sales of energy and energy-related products into the ISO-NE wholesale electricity market and the sale of RECs to various counterparties.

Customers have the choice to purchase electricity from each Eversource electric utility or from a competitive third party supplier. For customers who have contracted separately with these competitive suppliers, revenue is not recorded for the sale of the electricity commodity, as the utility is acting as an agent on behalf of the third party supplier. For customers that choose to purchase electric generation from CL&P, NSTAR Electric or PSNH, each purchases power on behalf of, and is permitted to recover the related energy supply cost without mark-up from, its customers, and records offsetting amounts in revenues and purchased power related to this energy supply procurement. CL&P, NSTAR Electric and PSNH each remain as the distribution service provider for all customers and charge a regulated rate for distribution delivery service recorded in revenues.

The variance in tracked distribution revenues in 2023, as compared to 2022, is due primarily to the following:

| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|
| Retail Tariff Tracked Revenues: | | | |
| Energy supply procurement | $ 442.8 | $ 119.8 | $ (56.2) |
| CL&P FMCC | (330.1) | — | — |
| Retail transmission | 40.4 | (100.7) | (20.6) |
| Other distribution tracking mechanisms | 22.0 | (61.6) | 30.5 |
| Wholesale Market Sales Revenue | (444.6) | (83.2) | (38.1) |

The increase in energy supply procurement at CL&P and NSTAR Electric was driven by higher average prices, partially offset by lower average supply-related sales volumes. The decrease in energy supply procurement at PSNH was driven by lower average supply-related sales volumes, partially offset by higher average prices. Fluctuations in retail transmission revenues are driven by the recovery of the costs of our wholesale transmission business, such as those billed by ISO-NE and Local and Regional Network Service charges. For further information, see "*Purchased Power and Transmission*" expense below.

The decrease in CL&P’s FMCC revenues was driven by a decrease in the retail Non-Bypassable Federally Mandated Congestion Charge (NBFMCC) rate, which reflects the impact of returning net benefits of higher wholesale market sales received in the ISO-NE market for long-term state approved energy contracts at CL&P, which are then credited back to customers through the retail NBFMCC rate. CL&P’s average NBFMCC rate in effect from January 1, 2022 through April 30, 2022 was $0.01423 per kWh and from May 1 through August 31, 2022 was $0.01251 per kWh. As a result of the CL&P RAM proceeding in Docket No. 22-01-03, CL&P reduced the average NBFMCC rate effective September 1, 2022 from $0.01251 per kWh to $0.00000 per kWh. As part of a November 2022 rate relief plan, CL&P further reduced the average NBFMCC rate effective January 1, 2023 to a credit of $0.01524 per kWh. These rate reductions returned to customers the net revenues generated by long-term state-approved energy contracts with the Millstone and Seabrook nuclear power plants. The average NBFMCC rate changed to $0.00000 per kWh effective July 1, 2023. As a result of the 2023 CL&P RAM decision, the average NBFMCC rate changed to $0.00293 per kWh effective September 1, 2023.

The decrease in wholesale market sales revenue was due primarily to lower average electricity market prices received for wholesale sales at CL&P, NSTAR Electric and PSNH. ISO-NE average market prices received for CL&P’s wholesale sales decreased to an average price of $36.60 per MWh in 2023, as compared to $82.88 per MWh in 2022, driven primarily by lower natural gas prices in New England. CL&P’s volumes sold into the market were primarily from the sale of output generated by the Millstone PPAand Seabrook PPA that CL&P entered into in 2019, as required by regulation. CL&P sells the energy purchased from Millstone and Seabrook into the wholesale market and uses the proceeds from the energy sales to offset the contract costs. The net sales or net cost amount is refunded to, or recovered from, customers in the non-bypassable component of the CL&P FMCC rate.

*Transmission Revenues:* Transmission revenues increased $21.9 million at CL&P, $36.1 million at NSTAR Electric and $49.2 million at PSNH due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure.

*Eliminations:* Eliminations are primarily related to the Eversource electric transmission revenues that are derived from ISO-NE regional transmission charges to the distribution businesses of CL&P, NSTAR Electric and PSNH that recover the costs of the wholesale transmission business in rates charged to their customers. The impact of eliminations increased revenues by $8.6 million at CL&P and $2.9 million at PSNH and decreased revenues by $18.2 million at NSTAR Electric.

**Purchased Power and Transmission** expense includes costs associated with providing electric generation service supply to all customers who have not migrated to third party suppliers, the cost of energy purchase contracts entered into as required by regulation, and transmission costs. These energy supply procurement, other energy-related costs, and transmission costs are recovered from customers in rates through commission-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). The variance in Purchased Power and Transmission expense in 2023, as compared to 2022, is due primarily to the following:

| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|
| Energy supply procurement costs | $ 437.2 | $ 117.6 | $ (59.5) |
| Other electric distribution costs | 22.6 | (109.6) | 18.3 |
| Transmission costs | 35.7 | (100.8) | (22.0) |
| Eliminations | 7.1 | (18.0) | 2.7 |
| Total Purchased Power and Transmission | $ 502.6 | $ (110.8) | $ (60.5) |

The variance in energy supply procurement costs is offset in Operating Revenues (tracked energy supply procurement revenues). The variance in other electric distribution costs at CL&P is due to higher long-term contractual energy-related costs that are recovered in the non-bypassable component of the FMCC mechanism, at NSTAR Electric is due to a decrease in long-term renewable contract costs and lower net metering costs, and at PSNH is due primarily to higher net metering costs.

Included in transmission costs are charges that recover the cost of transporting electricity over high-voltage lines from generation facilities to substations, including costs allocated by ISO-NE to maintain the wholesale electric market.

- The increase in transmission costs at CL&P was due primarily to an increase in Local Network Service charges, which reflect the cost of transmission service provided by Eversource over our local transmission network, and an increase resulting from the retail transmission cost deferral, which reflects the actual costs of transmission service compared to estimated amounts billed to customers. These increases were partially offset by a decrease in costs billed by ISO-NE that support regional grid investments.
- The decrease in transmission costs at NSTAR Electric and PSNH was due primarily to a decrease resulting from the retail transmission cost deferral and a decrease in costs billed by ISO-NE. These decreases were partially offset by an increase in Local Network Service charges.

**Operations and Maintenance** expense includes tracked costs and costs that are part of base distribution rates with changes impacting earnings (non-tracked costs). The variance in Operations and Maintenance expense in 2023, as compared to 2022, is due primarily to the following:

| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|
| Base Electric Distribution (Non-Tracked Costs): | | | |
| Shared corporate costs (including IT system depreciation at Eversource Service) | $ 14.2 | $ 22.5 | $ 4.7 |
| Storm costs | 17.4 | (0.8) | (3.3) |
| General costs (including vendor services in corporate areas, insurance, fees and assessments) | 6.6 | 0.2 | (2.1) |
| Absence in 2023 of energy assistance program as part of CL&P rate relief plan | (10.0) | — | — |
| Employee-related expenses, including labor and benefits | (5.3) | (5.2) | 1.3 |
| Operations-related expenses (including vegetation management, vendor services and vehicles) | (4.7) | 3.3 | (6.4) |
| Uncollectible expense | (4.5) | 4.5 | 5.1 |
| Total Base Electric Distribution (Non-Tracked Costs) | 13.7 | 24.5 | (0.7) |
| Total Tracked Costs | 12.4 | 3.2 | 29.1 |
| Total Operations and Maintenance | $ 26.1 | $ 27.7 | $ 28.4 |

**Depreciation** expense increased for CL&P, NSTAR Electric and PSNH due to higher net plant in service balances. The increase at NSTAR Electric was partially offset by a decrease in approved depreciation rates as part of the rate case decision effective January 1, 2023.

**Amortization of Regulatory (Liabilities)/Assets, Net** expense includes the deferral of energy-related costs and other costs that are included in certain regulatory commission-approved cost tracking mechanisms. This deferral adjusts expense to match the corresponding revenues compared to the actual costs incurred. These costs are recovered from customers in rates and have no impact on earnings. Amortization expense also includes the amortization of certain costs as those costs are collected in rates. The variance in Amortization of Regulatory (Liabilities)/Assets, Net is due primarily to the following:

- The decrease at CL&P was due primarily to the deferral adjustment of energy-related and other tracked costs that are included in the non-bypassable component of the FMCC mechanism, which can fluctuate from period to period based on the timing of costs incurred and related rate changes to recover these costs. The decrease in the FMCC mechanism was driven primarily by the CL&P November 2022 rate relief plan, which reduced the non-bypassable FMCC rate effective January 1, 2023. The reduction in the CL&Pnon-

bypassable FMCC retail rate decreased the regulatory over-recovery balance and created an under-recovery balance as of December 31, 2023, which resulted in a decrease to amortization expense of $802.3 million.

- The decrease at NSTAR Electric was due to the deferral adjustment of energy-related costs and other tracked costs, partially offset by an increase due to the amortization of historical exogenous property taxes that were approved for recovery effective January 1, 2023 in the November 2022 NSTAR Electric distribution rate case decision.
- The decrease at PSNH was due to the deferral adjustment of energy-related and other tracked costs, as well as the impact of a new regulatory tracking mechanism at PSNH that allows for the recovery of operating expenses associated with poles acquired from Consolidated Communications on May 1, 2023. The establishment of the PPAM regulatory asset resulted in a pre-tax benefit of $16.9 million recorded in Amortization expense on the PSNH statement of income in 2023.

**Energy Efficiency Programs** expense includes costs of various state energy policy initiatives and expanded energy efficiency programs that are recovered from customers in rates, most of which have no impact on earnings. The variance in Energy Efficiency Programs expense is due primarily to the following:

- The decrease at NSTAR Electric was due to the deferral adjustment, which reflects the actual costs of energy efficiency programs compared to the amounts billed to customers, and the timing of the recovery of energy efficiency costs.
- The increase at PSNH was due to the deferral adjustment and the timing of the recovery of energy efficiency costs.

**Taxes Other Than Income Taxes -** the variance is due primarily to the following:

- The increase at CL&P was related to higher Connecticut gross earnings taxes, higher employment-related taxes based on the timing of payroll pay periods, and higher property taxes as a result of higher utility plant balances.
- The increase at NSTAR Electric was due to higher property taxes as a result of higher assessments and higher utility plant balances and higher employment-related taxes based on the timing of payroll pay periods.
- The decrease at PSNH was due to lower property taxes as a result of lower assessments accompanied by lower mill rates, partially offset by an increase due to higher employment-related taxes based on the timing of payroll pay periods.

**Interest Expense -** the variance is due primarily to the following:

- The increase at CL&P was due to higher interest on long-term debt ($23.2 million) and higher interest on short-term notes payable ($9.5 million), partially offset by a decrease in interest expense on regulatory deferrals ($4.6 million), an increase in capitalized AFUDC related to debt funds ($2.9 million), and lower amortization of debt discounts and premiums, net ($0.3 million).
- The increase at NSTAR Electric was due primarily to higher interest on long-term debt ($16.0 million), higher interest on short-term notes payable ($10.1 million), and an increase in interest expense on regulatory deferrals ($8.0 million), partially offset by an increase in capitalized AFUDC related to debt funds ($6.5 million).
- The increase at PSNH was due primarily to higher interest on long-term debt ($17.4 million) and higher interest on short-term notes payable ($5.4 million), partially offset by an increase in capitalized AFUDC related to debt funds ($4.7 million), a decrease in interest expense on regulatory deferrals ($3.7 million), and a decrease in RRB interest expense ($1.3 million).

**Other Income, Net -** the variance is due primarily to the following:

- The decrease at CL&P was due primarily to a decrease related to pension, SERP and PBOP non-service income components ($29.5 million) and an increase in investment losses driven by market volatility ($1.1 million), partially offset by an increase in capitalized AFUDC related to equity funds ($6.4 million) and an increase in interest income primarily on regulatory deferrals ($2.5 million).
- The increase at NSTAR Electric was due primarily to an increase in interest income primarily on regulatory deferrals ($29.9 million) and an increase in capitalized AFUDC related to equity funds ($21.1 million), partially offset by a decrease related to pension, SERP and PBOP non-service income components ($28.1 million) and investment losses in 2023 compared to investment income in 2022 driven by market volatility ($1.4 million).
- The decrease at PSNH was due primarily to a decrease related to pension, SERP and PBOP non-service income components ($10.6 million) and investment losses in 2023 compared to investment income in 2022 driven by market volatility ($0.9 million), partially offset by an increase in capitalized AFUDC related to equity funds ($2.9 million) and an increase in interest income primarily on regulatory deferrals ($2.2 million).

**Income Tax Expense -** the variance is due primarily to the following:

- The decrease at CL&P was due primarily to lower pre-tax earnings ($3.0 million), lower state taxes ($3.0 million), an increase in amortization of EDIT ($1.3 million), and a decrease in items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($1.4 million), partially offset by higher return to provision adjustments ($7.3 million), lower share-based payment excess tax benefits ($0.9 million), and an increase in valuation allowances ($0.2 million).
- The increase at NSTAR Electric was due primarily to higher pre-tax earnings ($13.7 million), higher state taxes ($1.6 million), lower share-based payment excess tax benefits ($1.0 million), and a decrease in amortization of EDIT ($0.8 million), partially offset by a decrease in items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($4.1 million).

- The increase at PSNH was due primarily to higher pre-tax earnings ($6.7 million), higher state taxes ($1.6 million), and a decrease in amortization of EDIT($0.9 million), partially offset by a decrease in items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($1.0 million), and lower return to provision adjustments ($0.5 million).

**EARNINGS SUMMARY**

CL&P's earnings decreased $14.2 million in 2023, as compared to 2022, due primarily to higher operations and maintenance expense, higher interest expense, higher depreciation expense, lower pension income, a higher effective tax rate, and higher property and other tax expense. The earnings decrease was partially offset by higher earnings from its capital tracking mechanism due to increased electric system improvements.

NSTAR Electric's earnings increased $52.1 million in 2023, as compared to 2022, due primarily to higher revenues as a result of the base distribution rate increase effective January 1, 2023, an increase in transmission earnings driven by a higher transmission rate base, an increase in interest income primarily on regulatory deferrals, and higher AFUDC equity income. The earnings increase was partially offset by higher operations and maintenance expense, higher property and other tax expense, higher interest expense, and higher depreciation expense.

PSNH's earnings increased $24.1 million in 2023, as compared to 2022, due primarily to an increase in transmission earnings driven by a higher transmission rate base and the impact of a new regulatory tracking mechanism at PSNH that allows for the recovery of previously incurred operating expenses associated with poles acquired on May 1, 2023. The earnings increase was partially offset by higher interest expense, higher depreciation expense, and lower pension income.

**LIQUIDITY**

*Cash Flows:* CL&P had cash flows provided by operating activities of $449.6 million in 2023, as compared to $869.6 million in 2022. The decrease in operating cash flows was due primarily to an increase in regulatory under-recoveries driven primarily by the timing of collections for the non-bypassable FMCC, the SBC and other regulatory tracking mechanisms, the timing of cash payments made on our accounts payable, and an $8.9 million increase in cost of removal expenditures. In 2023, CL&P increased the flow back to customers of net revenues generated by long-term state-approved energy contracts by providing these credits to customers through the non-bypassable FMCC retail rate. The reduction in the non-bypassable FMCC retail rate decreased the regulatory over-recovery balance and created an under-recovery balance as of December 31, 2023, which resulted in a decrease to amortization expense of $802.3 million in 2023, as compared to 2022, and is presented as a cash outflow in Amortization of Regulatory (Liabilities)/Assets on the statement of cash flows. The impacts of regulatory collections are included in both Regulatory Recoveries and Amortization of Regulatory (Liabilities)/Assets on the statements of cash flows. These unfavorable impacts were partially offset by a $161.7 million increase in operating cash flows due to income tax refunds received in 2023 compared to income tax payments in 2022, the timing of cash collections on our accounts receivable, the absence in 2023 of $72.0 million of customer credits distributed in 2022 as a result of the October 2021 settlement agreement and the 2021 storm performance penalty for CL&P’s response to Tropical Storm Isaias, a $32.4 million decrease in cash payments to vendors for storm costs, and the timing of other working capital items.

NSTAR Electric had cash flows provided by operating activities of $713.6 million in 2023, as compared to $771.5 million in 2022. The decrease in operating cash flows was due primarily to an increase in regulatory under-recoveries driven by the timing of collections for regulatory tracking mechanisms including transmission and net metering, the timing of other working capital items, the timing of cash collections on our accounts receivable, an $11.0 million increase in cost of removal expenditures, and a $7.5 million increase in income tax payments made. The impacts of regulatory collections are included in both Regulatory Recoveries and Amortization of Regulatory Assets on the statements of cash flows. These unfavorable impacts were partially offset by the absence in 2023 of $76.3 million of payments in 2022 related to withheld property taxes, a $59.1 million decrease in cash payments to vendors for storm costs, the absence in 2023 of pension contributions of $15.0 million made in 2022, and the timing of cash payments made on our accounts payable.

PSNH had cash flows provided by operating activities of $32.0 million in 2023, as compared to $361.5 million in 2022. The decrease in operating cash flows was due primarily to an increase in regulatory under-recoveries driven by the timing of collections for regulatory tracking mechanisms including energy supply, stranded costs, retail transmission and wholesale transmission, the timing of cash payments made on our accounts payable, a $118.2 million increase in cash payments to vendors for storm costs, and the timing of other working capital items. The impacts of regulatory collections are included in both Regulatory Recoveries and Amortization of Regulatory (Liabilities)/Assets on the statements of cash flows. These unfavorable impacts were partially offset by a $118.2 million increase in operating cash flows due to income tax refunds received in 2023 compared to income tax payments in 2022, and the timing of cash collections on our accounts receivable.

For further information on CL&P's, NSTAR Electric's and PSNH's liquidity and capital resources, see "Liquidity" and "Business Development and Capital Expenditures" included in this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

### Market Risk Information

*Commodity Price Risk Management:* Our regulated companies enter into energy contracts to serve our customers, and the economic impacts of those contracts are passed on to our customers. Accordingly, the regulated companies have no exposure to loss of future earnings or fair values due to these market risk-sensitive instruments. Eversource's Energy Supply Risk Committee, comprised of senior officers, reviews and approves all large-scale energy related transactions entered into by its regulated companies.

### Other Risk Management Activities

We have an Enterprise Risk Management (ERM) program for identifying the principal risks of the Company. Our ERM program involves the application of a well-defined, enterprise-wide methodology designed to allow our Risk Committee, comprised of our senior officers of the Company, to identify, categorize, prioritize, and mitigate the principal risks to the Company. The ERM program is integrated with other assurance functions throughout the Company including Compliance, Auditing, and Insurance to ensure appropriate coverage of risks that could impact the Company. In addition to known risks, ERM identifies emerging risks to the Company, through participation in industry groups, discussions with management and in consultation with outside advisers. Our management then analyzes risks to determine materiality, likelihood and impact, and develops mitigation strategies. Management broadly considers our business model, the utility industry, the global economy, climate change, sustainability and the current environment to identify risks. The Finance Committee of the Board of Trustees is responsible for oversight of the Company's ERM program and enterprise-wide risks as well as specific risks associated with insurance, credit, financing, investments, pensions and overall system security including cyber security. The findings of the ERM process are periodically discussed with the Finance Committee of our Board of Trustees, as well as with other Board Committees or the full Board of Trustees, as appropriate, including reporting on how these issues are being measured and managed. However, there can be no assurances that the ERM process will identify or manage every risk or event that could impact our financial position, results of operations or cash flows.

*Interest Rate Risk Management:* Interest rate risk is associated with changes in interest rates for our outstanding long-term debt. Our interest rate risk is significantly reduced as typically all or most of our debt financings have fixed interest rates. As of December 31, 2023, all of our long-term debt was at a fixed interest rate.

*Credit Risk Management:* Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties pursuant to the terms of our contractual obligations. We serve a wide variety of customers and transact with suppliers that include IPPs, industrial companies, natural gas and electric utilities, oil and natural gas producers, financial institutions, and other energy marketers. Margin accounts exist within this diverse group, and we realize interest receipts and payments related to balances outstanding in these margin accounts. This wide customer and supplier mix generates a need for a variety of contractual structures, products and terms that, in turn, require us to manage the portfolio of market risk inherent in those transactions in a manner consistent with the parameters established by our risk management process.

Our regulated companies are subject to credit risk from certain long-term or high-volume supply contracts with energy marketing companies. Our regulated companies manage the credit risk with these counterparties in accordance with established credit risk practices and monitor contracting risks, including credit risk. As of December 31, 2023, our regulated companies held collateral (letters of credit or cash) of $32.0 million from counterparties related to our standard service contracts. As of December 31, 2023, Eversource had $28.7 million of cash posted with ISO-NE related to energy transactions.

If the respective unsecured debt ratings of Eversource or its subsidiaries were reduced to below investment grade by either Moody's, S&P or Fitch, certain of Eversource's contracts would require additional collateral in the form of cash or letters of credit to be provided to counterparties and independent system operators. Eversource would have been and remains able to provide that collateral.

**Item 8. Financial Statements and Supplementary Data**

**Management's Report on Internal Controls Over Financial Reporting**

**Eversource Energy**

Management is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements of Eversource Energy and subsidiaries (Eversource or the Company) and of other sections of this annual report. Eversource's internal controls over financial reporting were audited by Deloitte & Touche LLP.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment.

Under the supervision and with the participation of the principal executive officer and principal financial officer, Eversource conducted an evaluation of the effectiveness of internal controls over financial reporting based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting were effective as of December 31, 2023.

February 14, 2024

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of Eversource Energy:

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Eversource Energy and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 14, 2024, expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

Acompany' s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Acompany' s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of Eversource Energy:

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Eversource Energy and subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, common shareholders’equity , and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the schedules listed in the Index at Item 15 of Part IV (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2024, expressed an unqualified opinion on the Company’s internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Regulatory Accounting - Impact of Rate Regulation on the Financial Statements - Refer to Note 2 to the Financial Statements***

*Critical Audit Matter Description*

The Company’s utility companies are subject to rate regulation by the Federal Energy Regulatory Commission and by their respective state public utility authorities in Connecticut, Massachusetts, or New Hampshire (the “Commissions”). The rate regulation by these Commissions is based on cost recovery. The regulated companies’financial statements reflect the effects of the rate-making process. The rates charged to the customers of the Company’s regulated companies are designed to collect each company’s cost to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, the Company records regulatory assets before approval for recovery has been received from the applicable regulatory commission. The Company must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. The Company bases its conclusion on certain factors, including, but not limited to, regulatory precedent. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

The Company uses judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on the Company’s financial statements. Management believes it is probable that each of the regulated companies will recover its respective investment in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to any of the regulated companies’ operations, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

Accounting for the economics of rate-regulation impacts multiple financial statement line items and disclosures, such as regulated property, plant, and equipment, regulatory assets and liabilities, operating revenues, depreciation expense and amortization of regulatory assets. While management has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve full recovery of such costs or full recovery of all amounts invested in the utility business and a reasonable return on that investment. We identified the impact of rate-regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impact of future regulatory orders on the financial statements. Management judgments include assessing the probability of recovery in future rates of incurred costs and of a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates, a refund, or a future reduction in rates.

- We evaluated the Company's disclosures related to the applicability and impacts of rate regulation, including the balances recorded and regulatory developments disclosed in the financial statements.

- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future refund or reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.

- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We made inquiries of management, including legal counsel, and obtained the regulatory orders and analysis from management that support the probability of recovery, refund, or future reductions in rates for regulatory assets and liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.

***Investments in Unconsolidated Affiliates – Impact of Offshore Wind Impairment and Offshore Wind Divestiture - Refer to Note 6 to the Financial Statements***

*Critical Audit Matter Description*

Eversource's offshore wind business includes 50 percent ownership interests in each of North East Offshore and South Fork Class B Member, LLC, which collectively hold three offshore wind projects. North East Offshore holds the Revolution Wind project and the Sunrise Wind project. South Fork Class B Member, LLC holds the South Fork Wind project. Eversource's offshore wind business also includes a noncontrolling tax equity investment in South Fork Wind through a 100 percent ownership in South Fork Wind Holdings, LLC Class Ashares. The offshore wind projects are being developed and constructed through joint and equal partnerships with Ørsted.

In the second quarter of 2023, the Company announced that it had completed the strategic review of its offshore wind investments and determined that it would continue to pursue the sale of its offshore wind investments. The Company also entered into a purchase and sale agreement with Ørsted for its 50% interest in an uncommitted lease area and committed to provide tax equity for the South Fork Wind project through a new tax equity ownership interest. In connection with the conclusion of the strategic review, Eversource evaluated its aggregate investment in the projects, uncommitted lease area, and other related capitalized costs and determined that the carrying value of the equity method offshore wind investment exceeded the fair value of the investment and that the decline was other-than-temporary. The estimate of fair value was based on the expected sale price of the Company's 50 percent interest in the three contracted projects based on the most recent bid value, the sale price of the uncommitted lease area included in the purchase and sale agreement, expected investment tax credits and potential investment tax credit adder amounts, the value of the tax equity ownership interest, and the expectation of a successful repricing of the Sunrise Wind Offshore Renewable Energy Credit ("OREC") contract. As a result, the Company recognized an other-than temporary impairment charge in the second quarter of 2023.

In the fourth quarter of 2023, The New York State Public Service Commission denied Sunrise Wind's petition to amend its OREC contract to increase the contract price to cover increased costs and inflation. Also during the fourth quarter, project construction forecasts were updated, and these new forecasts reflected additional expenditures for construction and scheduling related pressures, including the availability and increased cost of installation vessels and supply chain cost increases related to foundation fabrication. In determining the current fair value of the investments, these updated projections exceeded the previously estimated projections for construction expenditures, which resulted in a revised sales price that is now significantly lower than the previous bid value. Accordingly, the Company also recognized an other-than temporary impairment charge in the fourth quarter of 2023.

We identified the evaluation of other-than-temporary impairment charge for the offshore wind investment as a critical audit matter. It involves a significant degree of judgment and estimation, including identifying circumstances that indicate an impairment may exist at the equity method investment level, selecting discount rates used to determine fair values, and developing an estimate of discounted future cash flows expected from investment operations or the sale of the investment. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the price and the discount rate used in the discounted future cash flow method.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the discount rate used to determine fair market values and the estimates of discounted future cash flows expected from the sale of the investment.

- We tested the effectiveness of management's controls over impairment considerations including the aggregate investment in the projects, the sale price of the uncommitted lease area, and other related capitalized costs, as well as the discounted cash flow analysis for the offshore wind investments. We tested the effectiveness of management's controls over the initial recognition of the impairment charge.

- We evaluated the Company's disclosures related to the impairment charges disclosed in the financial statements.

- We evaluated the assumptions utilized within the discounted cash flow model used in the Company's impairment analysis.

- We made inquiries of management and evaluated the full impairment analysis from management that supported the other-than-temporary impairment charge in accordance with ASC 323-10-35-32A "Equity Method and Joint Ventures – Subsequent Measurement".

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

We have served as the Company's auditor since 2002.

EVERSOURCE ENERGY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| (Thousands of Dollars) | As of December 31, 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 53,873 | $ 47,597 |
| Cash Equivalents | — | 327,006 |
| Receivables, Net (net of allowance for uncollectible accounts of $554,455 and $486,297 as of December 31, 2023 and 2022, respectively) | 1,431,531 | 1,517,138 |
| Unbilled Revenues | 225,325 | 238,968 |
| Materials, Supplies, Natural Gas and REC Inventory | 507,307 | 374,395 |
| Regulatory Assets | 1,674,196 | 1,335,491 |
| Prepayments and Other Current Assets | 355,762 | 382,603 |
| Total Current Assets | 4,247,994 | 4,223,198 |
| Property, Plant and Equipment, Net | 39,498,607 | 36,112,820 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 4,714,970 | 4,242,794 |
| Goodwill | 4,532,100 | 4,522,632 |
| Investments in Unconsolidated Affiliates | 660,473 | 2,176,080 |
| Prepaid Pension and PBOP | 1,028,207 | 1,045,524 |
| Marketable Securities | 337,814 | 366,508 |
| Other Long-Term Assets | 592,080 | 541,344 |
| Total Deferred Debits and Other Assets | 11,865,644 | 12,894,882 |
| Total Assets | $ 55,612,245 | $ 53,230,900 |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities: | | |
| Notes Payable | $ 1,930,422 | $ 1,442,200 |
| Long-Term Debt – Current Portion | 824,847 | 1,320,129 |
| Rate Reduction Bonds – Current Portion | 43,210 | 43,210 |
| Accounts Payable | 1,869,187 | 2,113,905 |
| Regulatory Liabilities | 591,750 | 890,786 |
| Other Current Liabilities | 1,081,981 | 989,053 |
| Total Current Liabilities | 6,341,397 | 6,799,283 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 5,303,730 | 5,067,902 |
| Regulatory Liabilities | 4,022,923 | 3,930,305 |
| Derivative Liabilities | 67,999 | 143,929 |
| Asset Retirement Obligations | 505,844 | 502,713 |
| Accrued Pension, SERP and PBOP | 123,754 | 135,473 |
| Other Long-Term Liabilities | 961,239 | 888,081 |
| Total Deferred Credits and Other Liabilities | 10,985,489 | 10,668,403 |
| Long-Term Debt | 23,588,616 | 19,723,994 |
| Rate Reduction Bonds | 367,282 | 410,492 |
| Noncontrolling Interest - Preferred Stock of Subsidiaries | 155,569 | 155,570 |
| Common Shareholders' Equity: | | |
| Common Shares | 1,799,920 | 1,799,920 |
| Capital Surplus, Paid In | 8,460,876 | 8,401,731 |
| Retained Earnings | 4,142,515 | 5,527,153 |
| Accumulated Other Comprehensive Loss | (33,737) | (39,421) |
| Treasury Stock | (195,682) | (216,225) |
| Common Shareholders' Equity | 14,173,892 | 15,473,158 |
| Commitments and Contingencies (Note 13) | | |
| Total Liabilities and Capitalization | $ 55,612,245 | $ 53,230,900 |

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

EVERSOURCE ENERGY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS)/INCOME

| (Thousands of Dollars, Except Share Information) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 11,910,705 | $ 12,289,336 | $ 9,863,085 |
| Operating Expenses: | | | |
| Purchased Power, Purchased Natural Gas and Transmission | 5,168,241 | 5,014,074 | 3,372,344 |
| Operations and Maintenance | 1,895,703 | 1,865,328 | 1,739,685 |
| Depreciation | 1,305,840 | 1,194,246 | 1,103,008 |
| Amortization | (490,117) | 448,892 | 231,965 |
| Energy Efficiency Programs | 691,344 | 658,051 | 592,775 |
| Taxes Other Than Income Taxes | 940,359 | 910,591 | 829,987 |
| Total Operating Expenses | 9,511,370 | 10,091,182 | 7,869,764 |
| Operating Income | 2,399,335 | 2,198,154 | 1,993,321 |
| Interest Expense | 855,441 | 678,274 | 582,334 |
| Impairments of Offshore Wind Investments | 2,167,000 | — | — |
| Other Income, Net | 348,069 | 346,088 | 161,282 |
| (Loss)/Income Before Income Tax Expense | (275,037) | 1,865,968 | 1,572,269 |
| Income Tax Expense | 159,684 | 453,574 | 344,223 |
| Net (Loss)/Income | (434,721) | 1,412,394 | 1,228,046 |
| Net Income Attributable to Noncontrolling Interests | 7,519 | 7,519 | 7,519 |
| Net (Loss)/Income Attributable to Common Shareholders | $ (442,240) | $ 1,404,875 | $ 1,220,527 |
| Basic (Loss)/Earnings Per Common Share | $ (1.27) | $ 4.05 | $ 3.55 |
| Diluted (Loss)/Earnings Per Common Share | $ (1.26) | $ 4.05 | $ 3.54 |
| Weighted Average Common Shares Outstanding: | | | |
| Basic | 349,580,638 | 346,783,444 | 343,972,926 |
| Diluted | 349,840,481 | 347,246,768 | 344,631,056 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Net (Loss)/Income | $ (434,721) | $ 1,412,394 | $ 1,228,046 |
| Other Comprehensive Income, Net of Tax: | | | |
| Qualified Cash Flow Hedging Instruments | 20 | 20 | 972 |
| Changes in Unrealized Gains/(Losses) on Marketable Securities | 1,252 | (1,636) | (671) |
| Changes in Funded Status of Pension, SERP and PBOP Benefit Plans | 4,412 | 4,470 | 33,835 |
| Other Comprehensive Income, Net of Tax | 5,684 | 2,854 | 34,136 |
| Comprehensive Income Attributable to Noncontrolling Interests | (7,519) | (7,519) | (7,519) |
| Comprehensive (Loss)/Income Attributable to Common Shareholders | $ (436,556) | $ 1,407,729 | $ 1,254,663 |

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

EVERSOURCE ENERGY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

| (Thousands of Dollars, Except Share Information) | Common Shares: Shares | Common Shares: Amount | Capital Surplus, Paid In | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Common Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2021 | 342,954,023 | $ 1,789,092 | $ 8,015,663 | $ 4,613,201 | $ (76,411) | $ (277,979) | $ 14,063,566 |
| Net Income | | | | 1,228,046 | | | 1,228,046 |
| Dividends on Common Shares - $2.41 Per Share | | | | (828,337) | | | (828,337) |
| Dividends on Preferred Stock | | | | (7,519) | | | (7,519) |
| Long-Term Incentive Plan Activity | | | 3,537 | | | | 3,537 |
| Issuance of Treasury Shares | 986,656 | | 49,913 | | | 18,451 | 68,364 |
| Issuance of Treasury Shares for Acquisition of New England Service Company | 462,517 | | 29,401 | | | 8,650 | 38,051 |
| Other Comprehensive Income | | | | | 34,136 | | 34,136 |
| Balance as of December 31, 2021 | 344,403,196 | 1,789,092 | 8,098,514 | 5,005,391 | (42,275) | (250,878) | 14,599,844 |
| Net Income | | | | 1,412,394 | | | 1,412,394 |
| Dividends on Common Shares - $2.55 Per Share | | | | (883,113) | | | (883,113) |
| Dividends on Preferred Stock | | | | (7,519) | | | (7,519) |
| Issuance of Common Shares - $5 par value | 2,165,671 | 10,828 | 189,077 | | | | 199,905 |
| Long-Term Incentive Plan Activity | | | 8,335 | | | | 8,335 |
| Issuance of Treasury Shares | 949,724 | | 53,822 | | | 17,350 | 71,172 |
| Capital Stock Expense | | | (2,847) | | | | (2,847) |
| Issuance of Treasury Shares for Acquisition of The Torrington Water Company | 925,264 | | 54,830 | | | 17,303 | 72,133 |
| Other Comprehensive Income | | | | | 2,854 | | 2,854 |
| Balance as of December 31, 2022 | 348,443,855 | 1,799,920 | 8,401,731 | 5,527,153 | (39,421) | (216,225) | 15,473,158 |
| Net Loss | | | | (434,721) | | | (434,721) |
| Dividends on Common Shares - $2.70 Per Share | | | | (942,398) | | | (942,398) |
| Dividends on Preferred Stock | | | | (7,519) | | | (7,519) |
| Long-Term Incentive Plan Activity | | | 1,375 | | | | 1,375 |
| Issuance of Treasury Shares | 1,096,411 | | 57,770 | | | 20,543 | 78,313 |
| Other Comprehensive Income | | | | | 5,684 | | 5,684 |
| Balance as of December 31, 2023 | 349,540,266 | $ 1,799,920 | $ 8,460,876 | $ 4,142,515 | $ (33,737) | $ (195,682) | $ 14,173,892 |

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

EVERSOURCE ENERGY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Net (Loss)/Income | $ (434,721) | $ 1,412,394 | $ 1,228,046 |
| Adjustments to Reconcile Net (Loss)/Income to Net Cash Flows Provided by Operating Activities: | | | |
| Depreciation | 1,305,840 | 1,194,246 | 1,103,008 |
| Deferred Income Taxes | 85,405 | 346,779 | 347,056 |
| Uncollectible Expense | 72,468 | 61,876 | 60,886 |
| Pension, SERP and PBOP Income, Net | (90,706) | (160,857) | (14,693) |
| Pension and PBOP Contributions | (6,860) | (83,148) | (182,344) |
| Regulatory Under Recoveries, Net | (151,548) | (205,294) | (314,211) |
| (Customer Credits)/Reserve at CL&P related to PURA Settlement Agreement and Storm Performance Penalty | — | (72,041) | 81,274 |
| Amortization | (490,117) | 448,892 | 231,965 |
| Cost of Removal Expenditures | (315,699) | (303,755) | (242,130) |
| Payment in 2022 of Withheld Property Taxes | — | (78,446) | — |
| Impairments of Offshore Wind Investments | 2,167,000 | — | — |
| Other | (53,026) | (39,192) | (64,640) |
| Changes in Current Assets and Liabilities: | | | |
| Receivables and Unbilled Revenues, Net | (124,393) | (470,593) | (135,505) |
| Taxes Receivable/Accrued, Net | 36,357 | 18,358 | (110,621) |
| Accounts Payable | (287,637) | 377,657 | (29,201) |
| Other Current Assets and Liabilities, Net | (66,202) | (45,583) | 3,710 |
| Net Cash Flows Provided by Operating Activities | 1,646,161 | 2,401,293 | 1,962,600 |
| **Investing Activities:** | | | |
| Investments in Property, Plant and Equipment | (4,336,849) | (3,441,852) | (3,175,080) |
| Proceeds from Sales of Marketable Securities | 395,604 | 457,612 | 447,893 |
| Purchases of Marketable Securities | (336,779) | (424,174) | (414,980) |
| Investments in Unconsolidated Affiliates | (1,680,473) | (742,496) | (327,385) |
| Proceeds from Unconsolidated Affiliates | 1,090,662 | — | — |
| Other Investing Activities | (2,897) | 20,420 | 22,178 |
| Net Cash Flows Used in Investing Activities | (4,870,732) | (4,130,490) | (3,447,374) |
| **Financing Activities:** | | | |
| Issuance of Common Shares, Net of Issuance Costs | — | 197,058 | — |
| Cash Dividends on Common Shares | (918,995) | (860,033) | (805,439) |
| Cash Dividends on Preferred Stock | (7,519) | (7,519) | (7,519) |
| Increase/(Decrease) in Notes Payable | 695,552 | (78,170) | 256,125 |
| Repayment of Rate Reduction Bonds | (43,210) | (43,210) | (43,210) |
| Issuance of Long-Term Debt | 5,198,345 | 4,045,000 | 3,230,000 |
| Retirement of Long-Term Debt | (2,008,470) | (1,175,000) | (1,142,500) |
| Other Financing Activities | (46,466) | (48,185) | (46,625) |
| Net Cash Flows Provided by Financing Activities | 2,869,237 | 2,029,941 | 1,440,832 |
| Net (Decrease)/Increase in Cash, Cash Equivalents and Restricted Cash | (355,334) | 300,744 | (43,942) |
| Cash, Cash Equivalents and Restricted Cash - Beginning of Year | 521,752 | 221,008 | 264,950 |
| Cash, Cash Equivalents and Restricted Cash - End of Year | $ 166,418 | $ 521,752 | $ 221,008 |

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

**Management's Report on Internal Controls Over Financial Reporting**

**The Connecticut Light and Power Company**

Management is responsible for the preparation, integrity, and fair presentation of the accompanying financial statements of The Connecticut Light and Power Company (CL&P or the Company) and of other sections of this annual report.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment.

Under the supervision and with the participation of the principal executive officer and principal financial officer, CL&P conducted an evaluation of the effectiveness of internal controls over financial reporting based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting were effective as of December 31, 2023.

February 14, 2024

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of The Connecticut Light and Power Company:

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of The Connecticut Light and Power Company (the “Company”) as of December 31, 2023 and 2022, the related statements of income, comprehensive income, common stockholder’s equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the schedule listed in the Index at Item 15 of Part IV (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Regulatory Accounting - Impact of Rate Regulation on the Financial Statements - Refer to Note 2 to the Financial Statements***

*Critical Audit Matter Description*

The Company is subject to rate regulation by the Federal Energy Regulatory Commission and the state public utility authority in Connecticut (the “Commissions”). The rate regulation by these Commissions is based on cost recovery. The Company’s financial statements reflect the effects of the rate-making process. The rates charged to the customers are designed to collect the Company’s cost to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, the Company records regulatory assets before approval for recovery has been received from the applicable regulatory commission. The Company must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. The Company bases its conclusion on certain factors, including, but not limited to, regulatory precedent. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

The Company uses judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on the Company’s financial statements. Management believes it is probable that the Company will recover its investment in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to the Company’s operations, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

Accounting for the economics of rate-regulation impacts multiple financial statement line items and disclosures, such as regulated property, plant, and equipment, regulatory assets and liabilities, operating revenues, depreciation expense and amortization of regulatory assets. While management has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve full recovery of such costs or full recovery of all amounts invested in the Company and a reasonable return on that investment. We identified the impact of rate-regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impact of future regulatory orders on the financial statements. Management judgments include assessing the probability of recovery in future rates of incurred costs and of a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates, a refund, or a future reduction in rates.

- We evaluated the Company's disclosures related to the applicability and impacts of rate regulation, including the balances recorded and regulatory developments disclosed in the financial statements.

- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future refund or reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.

- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We made inquiries of management, including legal counsel, and obtained the regulatory orders and analysis from management that support the probability of recovery, refund, or future reductions in rates for regulatory assets and liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

We have served as the Company's auditor since 2002.

THE CONNECTICUT LIGHT AND POWER COMPANY
BALANCE SHEETS

| (Thousands of Dollars) | As of December 31, 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 10,213 | $ 11,312 |
| Receivables, Net (net of allowance for uncollectible accounts of $296,030 and $225,320 as of December 31, 2023 and 2022, respectively) | 558,993 | 612,052 |
| Accounts Receivable from Affiliated Companies | 60,450 | 46,439 |
| Unbilled Revenues | 57,403 | 59,363 |
| Materials, Supplies and REC Inventory | 156,467 | 88,157 |
| Taxes Receivable | 41,253 | 65,785 |
| Regulatory Assets | 480,369 | 314,089 |
| Prepayments and Other Current Assets | 53,536 | 62,524 |
| Total Current Assets | 1,418,684 | 1,259,721 |
| Property, Plant and Equipment, Net | 12,340,192 | 11,467,024 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 1,662,778 | 1,593,693 |
| Prepaid Pension and PBOP | 129,801 | 147,914 |
| Other Long-Term Assets | 298,169 | 290,444 |
| Total Deferred Debits and Other Assets | 2,090,748 | 2,032,051 |
| Total Assets | $ 15,849,624 | $ 14,758,796 |
| | | |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities: | | |
| Notes Payable to Eversource Parent | $ 249,670 | $ — |
| Accounts Payable | 622,055 | 710,500 |
| Accounts Payable to Affiliated Companies | 134,726 | 136,277 |
| Obligations to Third Party Suppliers | 75,753 | 40,704 |
| Regulatory Liabilities | 102,239 | 336,048 |
| Derivative Liabilities | 81,944 | 81,588 |
| Other Current Liabilities | 127,703 | 123,171 |
| Total Current Liabilities | 1,394,090 | 1,428,288 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 1,860,122 | 1,640,034 |
| Regulatory Liabilities | 1,315,928 | 1,263,396 |
| Derivative Liabilities | 67,999 | 143,929 |
| Other Long-Term Liabilities | 190,186 | 166,081 |
| Total Deferred Credits and Other Liabilities | 3,434,235 | 3,213,440 |
| Long-Term Debt | 4,814,429 | 4,216,488 |
| Preferred Stock Not Subject to Mandatory Redemption | 116,200 | 116,200 |
| Common Stockholder's Equity: | | |
| Common Stock | 60,352 | 60,352 |
| Capital Surplus, Paid In | 3,384,265 | 3,260,765 |
| Retained Earnings | 2,645,868 | 2,463,094 |
| Accumulated Other Comprehensive Income | 185 | 169 |
| Common Stockholder's Equity | 6,090,670 | 5,784,380 |
| Commitments and Contingencies (Note 13) | | |
| Total Liabilities and Capitalization | $ 15,849,624 | $ 14,758,796 |

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

THE CONNECTICUT LIGHT AND POWER COMPANY
STATEMENTS OF INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 4,578,804 | $ 4,817,744 | $ 3,637,412 |
| Operating Expenses: | | | |
| Purchased Power and Transmission | 2,612,949 | 2,110,253 | 1,392,969 |
| Operations and Maintenance | 733,287 | 707,162 | 644,175 |
| Depreciation | 376,904 | 355,511 | 338,915 |
| Amortization of Regulatory (Liabilities)/Assets, Net | (500,367) | 335,636 | 99,009 |
| Energy Efficiency Programs | 133,453 | 134,222 | 129,564 |
| Taxes Other Than Income Taxes | 401,135 | 384,746 | 363,862 |
| Total Operating Expenses | 3,757,361 | 4,027,530 | 2,968,494 |
| Operating Income | 821,443 | 790,214 | 668,918 |
| Interest Expense | 193,361 | 169,348 | 166,107 |
| Other Income, Net | 61,560 | 83,252 | 30,187 |
| Income Before Income Tax Expense | 689,642 | 704,118 | 532,998 |
| Income Tax Expense | 170,909 | 171,198 | 131,273 |
| Net Income | $ 518,733 | $ 532,920 | $ 401,725 |

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

STATEMENTS OF COMPREHENSIVE INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Income | $ 518,733 | $ 532,920 | $ 401,725 |
| Other Comprehensive Income/(Loss), Net of Tax: | | | |
| Qualified Cash Flow Hedging Instruments | (26) | (26) | (26) |
| Changes in Unrealized Gains/(Loss) on Marketable Securities | 42 | (56) | (25) |
| Other Comprehensive Income/(Loss), Net of Tax | 16 | (82) | (51) |
| Comprehensive Income | $ 518,749 | $ 532,838 | $ 401,674 |

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

THE CONNECTICUT LIGHT AND POWER COMPANY
STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

| (Thousands of Dollars, Except Stock Information) | Common Stock Stock | Common Stock Amount | Capital Surplus, Paid In | Retained Earnings | Accumulated Other Comprehensive Income | Total Common Stockholder's Equity |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2021 | 6,035,205 | $ 60,352 | $ 2,810,765 | $ 2,173,367 | $ 302 | $ 5,044,786 |
| Net Income | | | | 401,725 | | 401,725 |
| Dividends on Preferred Stock | | | | (5,559) | | (5,559) |
| Dividends on Common Stock | | | | (341,400) | | (341,400) |
| Capital Contributions from Eversource Parent | | | 200,000 | | | 200,000 |
| Other Comprehensive Loss | | | | | (51) | (51) |
| Balance as of December 31, 2021 | 6,035,205 | 60,352 | 3,010,765 | 2,228,133 | 251 | 5,299,501 |
| Net Income | | | | 532,920 | | 532,920 |
| Dividends on Preferred Stock | | | | (5,559) | | (5,559) |
| Dividends on Common Stock | | | | (292,400) | | (292,400) |
| Capital Contributions from Eversource Parent | | | 250,000 | | | 250,000 |
| Other Comprehensive Loss | | | | | (82) | (82) |
| Balance as of December 31, 2022 | 6,035,205 | 60,352 | 3,260,765 | 2,463,094 | 169 | 5,784,380 |
| Net Income | | | | 518,733 | | 518,733 |
| Dividends on Preferred Stock | | | | (5,559) | | (5,559) |
| Dividends on Common Stock | | | | (330,400) | | (330,400) |
| Capital Contributions from Eversource Parent | | | 123,500 | | | 123,500 |
| Other Comprehensive Income | | | | | 16 | 16 |
| Balance as of December 31, 2023 | 6,035,205 | $ 60,352 | $ 3,384,265 | $ 2,645,868 | $ 185 | $ 6,090,670 |

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

THE CONNECTICUT LIGHT AND POWER COMPANY
STATEMENTS OF CASH FLOWS

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Activities: | | | |
| Net Income | $ 518,733 | $ 532,920 | $ 401,725 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | | |
| Depreciation | 376,904 | 355,511 | 338,915 |
| Deferred Income Taxes | 184,037 | 45,381 | 123,889 |
| Uncollectible Expense | 11,675 | 15,578 | 13,495 |
| Pension, SERP and PBOP (Income)/Expense, Net | (18,316) | (28,971) | 5,295 |
| Pension Contributions | — | — | (98,913) |
| Regulatory Over/(Under) Recoveries, Net | 157,200 | (144,793) | (152,775) |
| (Customer Credits)/Reserve related to PURA Settlement Agreement and Storm Performance Penalty | — | (72,041) | 81,274 |
| Amortization of Regulatory (Liabilities)/Assets, Net | (500,367) | 335,636 | 99,009 |
| Cost of Removal Expenditures | (80,479) | (71,596) | (95,792) |
| Other | (16,194) | (25,927) | (10,194) |
| Changes in Current Assets and Liabilities: | | | |
| Receivables and Unbilled Revenues, Net | (100,684) | (256,338) | (75,881) |
| Taxes Receivable/Accrued, Net | 25,633 | 897 | (25,162) |
| Accounts Payable | (88,040) | 207,698 | 24,895 |
| Other Current Assets and Liabilities, Net | (20,535) | (24,308) | (16,925) |
| Net Cash Flows Provided by Operating Activities | 449,567 | 869,647 | 612,855 |
| Investing Activities: | | | |
| Investments in Property, Plant and Equipment | (1,093,121) | (876,740) | (790,083) |
| Other Investing Activities | 173 | 591 | 329 |
| Net Cash Flows Used in Investing Activities | (1,092,948) | (876,149) | (789,754) |
| Financing Activities: | | | |
| Cash Dividends on Common Stock | (330,400) | (292,400) | (341,400) |
| Cash Dividends on Preferred Stock | (5,559) | (5,559) | (5,559) |
| Increase in Notes Payable to Eversource Parent | 457,000 | — | — |
| Issuance of Long-Term Debt | 800,000 | — | 425,000 |
| Retirement of Long-Term Debt | (400,000) | — | (120,500) |
| Capital Contributions from Eversource Parent | 123,500 | 250,000 | 200,000 |
| Other Financing Activities | (9,244) | — | (5,663) |
| Net Cash Flows Provided by/(Used In) Financing Activities | 635,297 | (47,959) | 151,878 |
| Net Decrease in Cash and Restricted Cash | (8,084) | (54,461) | (25,021) |
| Cash and Restricted Cash - Beginning of Year | 20,327 | 74,788 | 99,809 |
| Cash and Restricted Cash - End of Year | $ 12,243 | $ 20,327 | $ 74,788 |

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

**Management's Report on Internal Controls Over Financial Reporting**

**NSTAR Electric Company**

Management is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements of NSTAR Electric Company and subsidiary (NSTAR Electric or the Company) and of other sections of this annual report.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment.

Under the supervision and with the participation of the principal executive officer and principal financial officer, NSTAR Electric conducted an evaluation of the effectiveness of internal controls over financial reporting based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting were effective as of December 31, 2023.

February 14, 2024

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder of NSTAR Electric Company:

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of NSTAR Electric Company and subsidiary (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, common stockholder's equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the schedule listed in the Index at Item 15 of Part IV (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Regulatory Accounting - Impact of Rate Regulation on the Financial Statements - Refer to Note 2 to the Financial Statements***

*Critical Audit Matter Description*

The Company is subject to rate regulation by the Federal Energy Regulatory Commission and the state public utility authority in Massachusetts (the "Commissions"). The rate regulation by these Commissions is based on cost recovery. The Company's financial statements reflect the effects of the rate-making process. The rates charged to the customers are designed to collect the Company's cost to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, the Company records regulatory assets before approval for recovery has been received from the applicable regulatory commission. The Company must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. The Company bases its conclusion on certain factors, including, but not limited to, regulatory precedent. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

The Company uses judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on the Company's financial statements. Management believes it is probable that the Company will recover its investment in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to the Company's operations, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

Accounting for the economics of rate-regulation impacts multiple financial statement line items and disclosures, such as regulated property, plant, and equipment, regulatory assets and liabilities, operating revenues, depreciation expense and amortization of regulatory assets. While management has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve full recovery of such costs or full recovery of all amounts invested in the Company and a reasonable return on that investment. We identified the impact of rate-regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impact of future regulatory orders on the financial statements. Management judgments include assessing the probability of recovery in future rates of incurred costs and of a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates, a refund, or a future reduction in rates.

- We evaluated the Company's disclosures related to the applicability and impacts of rate regulation, including the balances recorded and regulatory developments disclosed in the financial statements.

- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future refund or reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.

- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We made inquiries of management, including legal counsel, and obtained the regulatory orders and analysis from management that support the probability of recovery, refund, or future reductions in rates for regulatory assets and liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

We have served as the Company's auditor since 2012.

NSTAR ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| (Thousands of Dollars) | As of December 31, 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 6,740 | $ 738 |
| Cash Equivalents | — | 327,006 |
| Receivables, Net (net of allowance for uncollectible accounts of $97,026 and $94,958 as of December 31, 2023 and 2022, respectively) | 487,707 | 453,371 |
| Accounts Receivable from Affiliated Companies | 74,634 | 35,196 |
| Unbilled Revenues | 49,897 | 39,680 |
| Materials, Supplies and REC Inventory | 173,770 | 138,352 |
| Regulatory Assets | 676,083 | 492,759 |
| Prepayments and Other Current Assets | 41,464 | 71,276 |
| Total Current Assets | 1,510,295 | 1,558,378 |
| Property, Plant and Equipment, Net | 12,753,787 | 11,626,968 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 1,281,836 | 1,221,619 |
| Prepaid Pension and PBOP | 608,617 | 576,809 |
| Other Long-Term Assets | 116,978 | 111,846 |
| Total Deferred Debits and Other Assets | 2,007,431 | 1,910,274 |
| Total Assets | $ 16,271,513 | $ 15,095,620 |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities: | | |
| Notes Payable | $ 365,847 | $ — |
| Long-Term Debt – Current Portion | — | 80,000 |
| Accounts Payable | 599,696 | 559,676 |
| Accounts Payable to Affiliated Companies | 144,622 | 108,907 |
| Obligations to Third Party Suppliers | 139,823 | 142,628 |
| Renewable Portfolio Standards Compliance Obligations | 116,010 | 120,239 |
| Regulatory Liabilities | 368,070 | 373,221 |
| Other Current Liabilities | 84,688 | 83,925 |
| Total Current Liabilities | 1,818,756 | 1,468,596 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 1,849,613 | 1,700,875 |
| Regulatory Liabilities | 1,585,311 | 1,548,081 |
| Other Long-Term Liabilities | 327,388 | 289,313 |
| Total Deferred Credits and Other Liabilities | 3,762,312 | 3,538,269 |
| Long-Term Debt | 4,496,947 | 4,345,085 |
| Preferred Stock Not Subject to Mandatory Redemption | 43,000 | 43,000 |
| Common Stockholder's Equity: | | |
| Common Stock | — | — |
| Capital Surplus, Paid In | 3,013,842 | 2,778,942 |
| Retained Earnings | 3,136,612 | 2,921,444 |
| Accumulated Other Comprehensive Income | 44 | 284 |
| Common Stockholder's Equity | 6,150,498 | 5,700,670 |
| Commitments and Contingencies (Note 13) | | |
| Total Liabilities and Capitalization | $ 16,271,513 | $ 15,095,620 |

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

NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 3,515,539 | $ 3,583,070 | $ 3,056,350 |
| Operating Expenses: | | | |
| Purchased Power and Transmission | 1,154,013 | 1,264,824 | 932,530 |
| Operations and Maintenance | 668,466 | 640,834 | 563,172 |
| Depreciation | 372,578 | 361,969 | 337,451 |
| Amortization of Regulatory Assets, Net | 16,150 | 83,855 | 55,774 |
| Energy Efficiency Programs | 325,593 | 332,247 | 288,612 |
| Taxes Other Than Income Taxes | 256,090 | 246,705 | 216,703 |
| Total Operating Expenses | 2,792,890 | 2,930,434 | 2,394,242 |
| Operating Income | 722,649 | 652,636 | 662,108 |
| Interest Expense | 189,254 | 162,892 | 146,048 |
| Other Income, Net | 164,129 | 142,661 | 74,844 |
| Income Before Income Tax Expense | 697,524 | 632,405 | 590,904 |
| Income Tax Expense | 152,996 | 139,977 | 114,335 |
| Net Income | $ 544,528 | $ 492,428 | $ 476,569 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Income | $ 544,528 | $ 492,428 | $ 476,569 |
| Other Comprehensive (Loss)/Income, Net of Tax: | | | |
| Changes in Funded Status of SERP Benefit Plan | (272) | (221) | (100) |
| Qualified Cash Flow Hedging Instruments | 20 | 20 | 298 |
| Changes in Unrealized Gains/(Losses) on Marketable Securities | 12 | (16) | (6) |
| Other Comprehensive (Loss)/Income, Net of Tax | (240) | (217) | 192 |
| Comprehensive Income | $ 544,288 | $ 492,211 | $ 476,761 |

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

NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

| (Thousands of Dollars, Except Stock Information) | Common Stock Stock | Common Stock Amount | Capital Surplus, Paid In | Retained Earnings | Accumulated Other Comprehensive Income | Total Common Stockholder's Equity |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2021 | 200 | $ — | $ 1,993,942 | $ 2,527,167 | $ 309 | $ 4,521,418 |
| Net Income | | | | 476,569 | | 476,569 |
| Dividends on Preferred Stock | | | | (1,960) | | (1,960) |
| Dividends on Common Stock | | | | (283,200) | | (283,200) |
| Capital Contributions from Eversource Parent | | | 260,000 | | | 260,000 |
| Other Comprehensive Income | | | | | 192 | 192 |
| Balance as of December 31, 2021 | 200 | — | 2,253,942 | 2,718,576 | 501 | 4,973,019 |
| Net Income | | | | 492,428 | | 492,428 |
| Dividends on Preferred Stock | | | | (1,960) | | (1,960) |
| Dividends on Common Stock | | | | (287,600) | | (287,600) |
| Capital Contributions from Eversource Parent | | | 525,000 | | | 525,000 |
| Other Comprehensive Loss | | | | | (217) | (217) |
| Balance as of December 31, 2022 | 200 | — | 2,778,942 | 2,921,444 | 284 | 5,700,670 |
| Net Income | | | | 544,528 | | 544,528 |
| Dividends on Preferred Stock | | | | (1,960) | | (1,960) |
| Dividends on Common Stock | | | | (327,400) | | (327,400) |
| Capital Contributions from Eversource Parent | | | 234,900 | | | 234,900 |
| Other Comprehensive Loss | | | | | (240) | (240) |
| Balance as of December 31, 2023 | 200 | $ — | $ 3,013,842 | $ 3,136,612 | $ 44 | $ 6,150,498 |

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

NSTAR ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Activities: | | | |
| Net Income | $ 544,528 | $ 492,428 | $ 476,569 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | | |
| Depreciation | 372,578 | 361,969 | 337,451 |
| Deferred Income Taxes | 96,224 | 78,039 | 57,507 |
| Uncollectible Expense | 22,791 | 21,550 | 16,649 |
| Pension, SERP and PBOP Income, Net | (41,554) | (55,830) | (26,120) |
| Pension Contributions | — | (15,000) | (30,000) |
| Regulatory Under Recoveries, Net | (141,865) | (88,220) | (79,075) |
| Amortization of Regulatory Assets, Net | 16,150 | 83,855 | 55,774 |
| Cost of Removal Expenditures | (68,290) | (57,339) | (58,967) |
| Payment in 2022 of Withheld Property Taxes | — | (76,311) | — |
| Other | (2,123) | (14,294) | (32,447) |
| Changes in Current Assets and Liabilities: | | | |
| Receivables and Unbilled Revenues, Net | (82,659) | (23,757) | (45,774) |
| Taxes Receivable/Accrued, Net | 27,394 | 35,143 | (16,219) |
| Accounts Payable | 11,357 | 8,815 | 31,650 |
| Other Current Assets and Liabilities, Net | (40,974) | 20,430 | 13,944 |
| Net Cash Flows Provided by Operating Activities | 713,557 | 771,478 | 700,942 |
| Investing Activities: | | | |
| Investments in Property, Plant and Equipment | (1,376,135) | (954,281) | (960,949) |
| Other Investing Activities | 48 | 165 | 91 |
| Net Cash Flows Used in Investing Activities | (1,376,087) | (954,116) | (960,858) |
| Financing Activities: | | | |
| Cash Dividends on Common Stock | (327,400) | (287,600) | (283,200) |
| Cash Dividends on Preferred Stock | (1,960) | (1,960) | (1,960) |
| Increase/(Decrease) in Notes Payable | 365,847 | (162,500) | (32,500) |
| Decrease in Notes Payable to Eversource Parent | — | — | (21,300) |
| Capital Contributions from Eversource Parent | 234,900 | 525,000 | 260,000 |
| Issuance of Long-Term Debt | 150,000 | 850,000 | 600,000 |
| Retirement of Long-Term Debt | (80,000) | (400,000) | (250,000) |
| Other Financing Activities | (1,365) | (13,188) | (10,355) |
| Net Cash Flows Provided by Financing Activities | 340,022 | 509,752 | 260,685 |
| Net (Decrease)/Increase in Cash, Cash Equivalents and Restricted Cash | (322,508) | 327,114 | 769 |
| Cash, Cash Equivalents and Restricted Cash - Beginning of Year | 345,293 | 18,179 | 17,410 |
| Cash, Cash Equivalents and Restricted Cash - End of Year | $ 22,785 | $ 345,293 | $ 18,179 |

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

**Management's Report on Internal Controls Over Financial Reporting**

**Public Service Company of New Hampshire**

Management is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements of Public Service Company of New Hampshire and subsidiaries (PSNH or the Company) and of other sections of this annual report.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment.

Under the supervision and with the participation of the principal executive officer and principal financial officer, PSNH conducted an evaluation of the effectiveness of internal controls over financial reporting based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting were effective as of December 31, 2023.

February 14, 2024

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder of Public Service Company of New Hampshire:

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Public Service Company of New Hampshire and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, common stockholder's equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the schedule listed in the Index at Item 15 of Part IV (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Regulatory Accounting - Impact of Rate Regulation on the Financial Statements - Refer to Note 2 to the Financial Statements***

*Critical Audit Matter Description*

The Company is subject to rate regulation by the Federal Energy Regulatory Commission and the state public utility authority in New Hampshire (the "Commissions"). The rate regulation by these Commissions is based on cost recovery. The Company's financial statements reflect the effects of the rate-making process. The rates charged to the customers are designed to collect the Company's cost to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, the Company records regulatory assets before approval for recovery has been received from the applicable regulatory commission. The Company must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. The Company bases its conclusion on certain factors, including, but not limited to, regulatory precedent. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

The Company uses judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on the Company's financial statements. Management believes it is probable that the Company will recover its investment in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to the Company's operations, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

Accounting for the economics of rate-regulation impacts multiple financial statement line items and disclosures, such as regulated property, plant, and equipment, regulatory assets and liabilities, operating revenues, depreciation expense and amortization of regulatory assets. While management has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve full recovery of such costs or full recovery of all amounts invested in the Company and a reasonable return on that investment. We identified the impact of rate-regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impact of future regulatory orders on the financial statements. Management judgments include assessing the probability of recovery in future rates of incurred costs and of a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates, a refund, or a future reduction in rates.

- We evaluated the Company's disclosures related to the applicability and impacts of rate regulation, including the balances recorded and regulatory developments disclosed in the financial statements.

- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future refund or reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.

- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We made inquiries of management, including legal counsel, and obtained the regulatory orders and analysis from management that support the probability of recovery, refund, or future reductions in rates for regulatory assets and liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

We have served as the Company's auditor since 2002.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | As of December 31, | |
|---|---|---|
| (Thousands of Dollars) | 2023 | 2022 |
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 240 | $ 136 |
| Receivables, Net (net of allowance for uncollectible accounts of $14,322 and $29,236 as of December 31, 2023 and 2022, respectively) | 152,276 | 173,337 |
| Accounts Receivable from Affiliated Companies | 18,214 | 8,193 |
| Unbilled Revenues | 55,012 | 72,713 |
| Taxes Receivable | 27,146 | 27,978 |
| Materials, Supplies and REC Inventory | 77,066 | 34,521 |
| Regulatory Assets | 189,450 | 102,240 |
| Special Deposits | 31,586 | 33,140 |
| Prepayments and Other Current Assets | 18,489 | 13,297 |
| Total Current Assets | 569,479 | 465,555 |
| Property, Plant and Equipment, Net | 4,574,652 | 4,060,224 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 773,783 | 593,974 |
| Prepaid Pension and PBOP | 58,979 | 66,384 |
| Other Long-Term Assets | 16,558 | 16,517 |
| Total Deferred Debits and Other Assets | 849,320 | 676,875 |
| Total Assets | $ 5,993,451 | $ 5,202,654 |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities: | | |
| Notes Payable to Eversource Parent | $ 233,000 | $ 173,300 |
| Long-Term Debt – Current Portion | — | 29,668 |
| Rate Reduction Bonds – Current Portion | 43,210 | 43,210 |
| Accounts Payable | 205,744 | 291,556 |
| Accounts Payable to Affiliated Companies | 41,272 | 36,231 |
| Regulatory Liabilities | 117,515 | 161,963 |
| Other Current Liabilities | 72,328 | 59,616 |
| Total Current Liabilities | 713,069 | 795,544 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 691,532 | 562,802 |
| Regulatory Liabilities | 393,574 | 391,628 |
| Other Long-Term Liabilities | 42,484 | 37,087 |
| Total Deferred Credits and Other Liabilities | 1,127,590 | 991,517 |
| Long-Term Debt | 1,431,591 | 1,134,914 |
| Rate Reduction Bonds | 367,282 | 410,492 |
| Common Stockholder's Equity: | | |
| Common Stock | — | — |
| Capital Surplus, Paid In | 1,698,134 | 1,298,134 |
| Retained Earnings | 655,785 | 572,126 |
| Accumulated Other Comprehensive Loss | — | (73) |
| Common Stockholder's Equity | 2,353,919 | 1,870,187 |
| Commitments and Contingencies (Note 13) | | |
| Total Liabilities and Capitalization | $ 5,993,451 | $ 5,202,654 |

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 1,447,873 | $ 1,474,799 | $ 1,177,248 |
| Operating Expenses: | | | |
| Purchased Power and Transmission | 604,983 | 665,478 | 370,271 |
| Operations and Maintenance | 284,442 | 255,991 | 237,659 |
| Depreciation | 140,417 | 127,962 | 120,065 |
| Amortization of Regulatory (Liabilities)/Assets, Net | (16,343) | 42,867 | 86,832 |
| Energy Efficiency Programs | 39,618 | 37,434 | 38,752 |
| Taxes Other Than Income Taxes | 93,894 | 95,301 | 91,465 |
| Total Operating Expenses | 1,147,011 | 1,225,033 | 945,044 |
| Operating Income | 300,862 | 249,766 | 232,204 |
| Interest Expense | 72,786 | 59,548 | 56,998 |
| Other Income, Net | 26,597 | 32,666 | 14,565 |
| Income Before Income Tax Expense | 254,673 | 222,884 | 189,771 |
| Income Tax Expense | 59,014 | 51,314 | 39,433 |
| Net Income | $ 195,659 | $ 171,570 | $ 150,338 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Thousands of Dollars) | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Income | $ 195,659 | $ 171,570 | $ 150,338 |
| Other Comprehensive Income/(Loss), Net of Tax: | | | |
| Qualified Cash Flow Hedging Instruments | — | — | 673 |
| Changes in Unrealized Gains/(Loss) on Marketable Securities | 73 | (96) | (37) |
| Other Comprehensive Income/(Loss), Net of Tax | 73 | (96) | 636 |
| Comprehensive Income | $ 195,732 | $ 171,474 | $ 150,974 |

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

| (Thousands of Dollars, Except Stock Information) | Common Stock Stock | Common Stock Amount | Capital Surplus, Paid In | Retained Earnings | Accumulated Other Comprehensive (Loss)/Income | Total Common Stockholder's Equity |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2021 | 301 | $ — | $ 928,134 | $ 615,018 | $ (613) | $ 1,542,539 |
| Net Income | | | | 150,338 | | 150,338 |
| Dividends on Common Stock | | | | (260,800) | | (260,800) |
| Capital Contributions from Eversource Parent | | | 160,000 | | | 160,000 |
| Other Comprehensive Income | | | | | 636 | 636 |
| Balance as of December 31, 2021 | 301 | — | 1,088,134 | 504,556 | 23 | 1,592,713 |
| Net Income | | | | 171,570 | | 171,570 |
| Dividends on Common Stock | | | | (104,000) | | (104,000) |
| Capital Contributions from Eversource Parent | | | 210,000 | | | 210,000 |
| Other Comprehensive Loss | | | | | (96) | (96) |
| Balance as of December 31, 2022 | 301 | — | 1,298,134 | 572,126 | (73) | 1,870,187 |
| Net Income | | | | 195,659 | | 195,659 |
| Dividends on Common Stock | | | | (112,000) | | (112,000) |
| Capital Contributions from Eversource Parent | | | 400,000 | | | 400,000 |
| Other Comprehensive Income | | | | | 73 | 73 |
| Balance as of December 31, 2023 | 301 | $ — | $ 1,698,134 | $ 655,785 | $ — | $ 2,353,919 |

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Years Ended December 31, | | |
|---|---|---|---|
| (Thousands of Dollars) | 2023 | 2022 | 2021 |
| Operating Activities: | | | |
| Net Income | $ 195,659 | $ 171,570 | $ 150,338 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | | |
| Depreciation | 140,417 | 127,962 | 120,065 |
| Deferred Income Taxes | 118,970 | 15,765 | (14,530) |
| Uncollectible Expense | 3,989 | 9,211 | 13,113 |
| Pension, SERP and PBOP Income, Net | (10,484) | (16,421) | (3,296) |
| Regulatory (Under)/Over Recoveries, Net | (273,472) | 53,181 | 32,587 |
| Amortization of Regulatory (Liabilities)/Assets, Net | (16,343) | 42,867 | 86,832 |
| Cost of Removal Expenditures | (39,976) | (39,895) | (30,804) |
| Other | 10,391 | 8,691 | (1,370) |
| Changes in Current Assets and Liabilities: | | | |
| Receivables and Unbilled Revenues, Net | (5,434) | (62,078) | (32,003) |
| Taxes Receivable/Accrued, Net | 916 | (23,492) | 3,952 |
| Accounts Payable | (55,957) | 81,046 | (3,256) |
| Other Current Assets and Liabilities, Net | (36,637) | (6,908) | 14,454 |
| Net Cash Flows Provided by Operating Activities | 32,039 | 361,499 | 336,082 |
| Investing Activities: | | | |
| Investments in Property, Plant and Equipment | (605,109) | (485,611) | (326,379) |
| Other Investing Activities | 296 | 1,013 | 562 |
| Net Cash Flows Used in Investing Activities | (604,813) | (484,598) | (325,817) |
| Financing Activities: | | | |
| Cash Dividends on Common Stock | (112,000) | (104,000) | (260,800) |
| Increase in Notes Payable to Eversource Parent | 59,700 | 62,700 | 64,300 |
| Issuance of Long-Term Debt | 600,000 | — | 350,000 |
| Retirement of Long-Term Debt | (325,000) | — | (282,000) |
| Repayment of Rate Reduction Bonds | (43,210) | (43,210) | (43,210) |
| Capital Contributions from Eversource Parent | 400,000 | 210,000 | 160,000 |
| Other Financing Activities | (8,524) | (705) | (2,984) |
| Net Cash Flows Provided by/(Used In) Financing Activities | 570,966 | 124,785 | (14,694) |
| Net (Decrease)/Increase in Cash and Restricted Cash | (1,808) | 1,686 | (4,429) |
| Cash and Restricted Cash - Beginning of Year | 36,812 | 35,126 | 39,555 |
| Cash and Restricted Cash - End of Year | $ 35,004 | $ 36,812 | $ 35,126 |

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

**EVERSOURCE ENERGY AND SUBSIDIARIES**
**THE CONNECTICUT LIGHT AND POWER COMPANY**
**NSTAR ELECTRIC COMPANY AND SUBSIDIARY**
**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES**

**COMBINED NOTES TO FINANCIAL STATEMENTS**

Refer to the Glossary of Terms included in this combined Annual Report on Form 10-K for abbreviations and acronyms used throughout the combined notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. About Eversource, CL&P, NSTAR Electric and PSNH

Eversource Energy is a public utility holding company primarily engaged, through its wholly-owned regulated utility subsidiaries, in the energy delivery business. Eversource Energy's wholly-owned regulated utility subsidiaries consist of CL&P, NSTAR Electric and PSNH (electric utilities), Yankee Gas, NSTAR Gas and EGMA (natural gas utilities), and Aquarion (water utilities). Eversource provides energy delivery and/or water service to approximately 4.4 million electric, natural gas and water customers through twelve regulated utilities in Connecticut, Massachusetts and New Hampshire.

Eversource, CL&P, NSTAR Electric and PSNH are reporting companies under the Securities Exchange Act of 1934. Eversource Energy is a public utility holding company under the Public Utility Holding Company Act of 2005. Arrangements among the regulated electric companies and other Eversource companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the FERC. Eversource's regulated companies are subject to regulation of rates, accounting and other matters by the FERC and/or applicable state regulatory commissions (the PURA for CL&P, Yankee Gas and Aquarion, the DPU for NSTAR Electric, NSTAR Gas, EGMAand Aquarion, and the NHPUC for PSNH and Aquarion).

CL&P, NSTAR Electric and PSNH furnish franchised retail electric service in Connecticut, Massachusetts and New Hampshire, respectively. NSTAR Gas and EGMAare engaged in the distribution and sale of natural gas to customers within Massachusetts and Yankee Gas is engaged in the distribution and sale of natural gas to customers within Connecticut. Aquarion is engaged in the collection, treatment and distribution of water in Connecticut, Massachusetts and New Hampshire. CL&P, NSTAR Electric and PSNH's results include the operations of their respective distribution and transmission businesses. The distribution business also includes the results of NSTAR Electric's solar power facilities.

Eversource Service, Eversource's service company, and several wholly-owned real estate subsidiaries of Eversource, provide support services to Eversource, including its regulated companies.

### B. Basis of Presentation

The consolidated financial statements of Eversource, NSTAR Electric and PSNH include the accounts of each of their respective subsidiaries. Intercompany transactions have been eliminated in consolidation. The accompanying consolidated financial statements of Eversource, NSTAR Electric and PSNH and the financial statements of CL&Pare herein collectively referred to as the "financial statements."

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CYAPC and YAEC are inactive regional nuclear power companies engaged in the long-term storage of their spent nuclear fuel. Eversource consolidates the operations of CYAPC and YAEC because CL&P's, NSTAR Electric's and PSNH's combined ownership and voting interests in each of these entities is greater than 50 percent. Intercompany transactions between CL&P, NSTAR Electric, PSNH and the CYAPC and YAEC companies have been eliminated in consolidation of the Eversource financial statements.

Eversource holds several equity ownership interests that are not consolidated and are accounted for under the equity method, including 50 percent ownership interests in three offshore wind projects and a tax equity investment in one of the projects. See Note 6, “Investments in Unconsolidated Affiliates,” for further information on Eversource’s equity method investments and impairment charges recorded in 2023 to the offshore wind investments carrying value.

In accordance with accounting guidance on noncontrolling interests in consolidated financial statements, the Preferred Stock of CL&P and the Preferred Stock of NSTAR Electric, which are not owned by Eversource or its consolidated subsidiaries and are not subject to mandatory redemption, have been presented as noncontrolling interests in the financial statements of Eversource. The Preferred Stock of CL&P and the Preferred Stock of NSTAR Electric are considered to be temporary equity and have been classified between liabilities and permanent shareholders' equity on the balance sheets of Eversource, CL&P and NSTAR Electric due to a provision in the preferred stock agreements of both CL&P and NSTAR Electric that grant preferred stockholders the right to elect a majority of the CL&P and NSTAR Electric Boards of Directors, respectively, should certain conditions exist, such as if preferred dividends are in arrears for a specified amount of time. The Net Income reported in the statements of income and cash flows represents net income prior to apportionment to noncontrolling interests, which is represented by dividends on preferred stock of CL&P and NSTAR Electric.

Eversource's utility subsidiaries' electric, natural gas and water distribution and transmission businesses are subject to rate-regulation that is based on cost recovery and meets the criteria for application of accounting guidance for entities with rate-regulated operations, which considers the effect of regulation on the differences in the timing of the recognition of certain revenues and expenses from those of other businesses and industries. See Note 2, "Regulatory Accounting," for further information.

As of December 31, 2023 and 2022, Eversource's carrying amount of goodwill was $4.53 billion and $4.52 billion, respectively. Eversource performs an assessment for possible impairment of its goodwill at least annually. Eversource completed its annual goodwill impairment assessment for each of its reporting units as of October 1, 2023 and determined that no impairment exists. See Note 24, "Goodwill," for further information.

Certain reclassifications of prior year data were made in the accompanying financial statements to conform to the current year presentation.

**C. Cash and Cash Equivalents**

Cash includes cash on hand. At the end of each reporting period, any overdraft amounts are reclassified from Cash to Accounts Payable on the balance sheets. Cash Equivalents include short-term cash investments that are highly liquid in nature and have original maturities of three months or less.

**D. Allowance for Uncollectible Accounts**

Receivables, Net on the balance sheets primarily includes trade receivables from retail customers and customers related to wholesale transmission contracts, wholesale market sales, sales of RECs, and property rentals. Receivables, Net also includes customer receivables for the purchase of electricity from a competitive third party supplier, the current portion of customer energy efficiency loans, property damage receivables and other miscellaneous receivables. There is no material concentration of receivables.

Receivables are recorded at amortized cost, net of a credit loss provision (or allowance for uncollectible accounts). The current expected credit loss (CECL) model is applied to receivables for purposes of calculating the allowance for uncollectible accounts. This model is based on expected losses and results in the recognition of estimated expected credit losses, including uncollectible amounts for both billed and unbilled revenues, over the life of the receivable at the time a receivable is recorded.

The allowance for uncollectible accounts is determined based upon a variety of judgments and factors, including an aging-based quantitative assessment that applies an estimated uncollectible percentage to each receivable aging category. Factors in determining credit loss include historical collection, write-off experience, analysis of delinquency statistics, and management's assessment of collectability from customers, including current economic conditions, customer payment trends, the impact on customer bills because of energy usage trends and changes in rates, flexible payment plans and financial hardship arrearage management programs offered to customers, reasonable forecasts, and expectations of future collectability and collection efforts. Management continuously assesses the collectability of receivables and adjusts estimates based on actual experience and future expectations based on economic conditions, collection efforts and other factors. Management also monitors the aging analysis of receivables to determine if there are changes in the collections of accounts receivable. Receivable balances are written off against the allowance for uncollectible accounts when the customer accounts are no longer in service and these balances are deemed to be uncollectible. Management concluded that the reserve balance as of December 31, 2023 adequately reflected the collection risk and net realizable value for its receivables.

The PURA allows CL&Pand Yankee Gas to accelerate the recovery of accounts receivable balances attributable to qualified customers under financial or medical duress (uncollectible hardship accounts receivable) outstanding for greater than 180 days and 90 days, respectively. The DPU allows NSTAR Electric, NSTAR Gas and EGMAto recover in rates amounts associated with certain uncollectible hardship accounts receivable. These uncollectible hardship customer account balances are included in Regulatory Assets or Other Long-Term Assets on the balance sheets. Hardship customers are protected from shut-off in certain circumstances, and historical collection experience has reflected a higher default risk as compared to the rest of the receivable population. Management uses a higher credit risk profile for this pool of trade receivables as compared to non-hardship receivables. The allowance for uncollectible hardship accounts is included in the total uncollectible allowance balance.

The total allowance for uncollectible accounts is included in Receivables, Net on the balance sheets. The activity in the allowance for uncollectible accounts by portfolio segment is as follows:

| | Eversource | | | CL&P | | | NSTAR Electric | | | PSNH |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Hardship Accounts | Retail (Non-Hardship), Wholesale, and Other | Total Allowance | Hardship Accounts | Retail (Non-Hardship), Wholesale, and Other | Total Allowance | Hardship Accounts | Retail (Non-Hardship), Wholesale, and Other | Total Allowance | Total Allowance [2] |
| Balance as of January 1, 2021 | $ 194.8 | $ 164.1 | $ 358.9 | $ 129.1 | $ 28.3 | $ 157.4 | $ 39.7 | $ 51.9 | $ 91.6 | $ 17.2 |
| Uncollectible Expense | — | 60.9 | 60.9 | — | 13.5 | 13.5 | — | 16.6 | 16.6 | 13.1 |
| Uncollectible Costs Deferred [1] | 51.9 | 58.7 | 110.6 | 32.3 | 25.5 | 57.8 | 4.3 | 15.8 | 20.1 | 3.1 |
| Write-Offs | (22.0) | (107.7) | (129.7) | (18.0) | (36.2) | (54.2) | (0.7) | (36.3) | (37.0) | (10.0) |
| Recoveries Collected | 1.4 | 15.3 | 16.7 | 1.2 | 5.6 | 6.8 | — | 5.7 | 5.7 | 0.9 |
| Balance as of December 31, 2021 | $ 226.1 | $ 191.3 | $ 417.4 | $ 144.6 | $ 36.7 | $ 181.3 | $ 43.3 | $ 53.7 | $ 97.0 | $ 24.3 |
| Uncollectible Expense | — | 61.9 | 61.9 | — | 15.6 | 15.6 | — | 21.6 | 21.6 | 9.2 |
| Uncollectible Costs Deferred [1] | 77.8 | 34.7 | 112.5 | 58.3 | 1.2 | 59.5 | 1.5 | 10.9 | 12.4 | 2.5 |
| Write-Offs | (21.3) | (102.7) | (124.0) | (15.3) | (23.0) | (38.3) | (1.1) | (41.2) | (42.3) | (7.7) |
| Recoveries Collected | 1.8 | 16.7 | 18.5 | 1.3 | 5.9 | 7.2 | — | 6.3 | 6.3 | 0.9 |
| Balance as of December 31, 2022 | $ 284.4 | $ 201.9 | $ 486.3 | $ 188.9 | $ 36.4 | $ 225.3 | $ 43.7 | $ 51.3 | $ 95.0 | $ 29.2 |
| Uncollectible Expense | — | 72.5 | 72.5 | — | 11.7 | 11.7 | — | 22.8 | 22.8 | 4.0 |
| Uncollectible Costs Deferred [1] | 137.0 | 21.2 | 158.2 | 114.4 | 12.0 | 126.4 | 1.5 | 16.0 | 17.5 | (8.7) |
| Write-Offs | (55.9) | (122.2) | (178.1) | (44.7) | (28.5) | (73.2) | (1.6) | (41.7) | (43.3) | (10.9) |
| Recoveries Collected | 1.3 | 14.3 | 15.6 | 1.1 | 4.7 | 5.8 | — | 5.0 | 5.0 | 0.7 |
| Balance as of December 31, 2023 | $ 366.8 | $ 187.7 | $ 554.5 | $ 259.7 | $ 36.3 | $ 296.0 | $ 43.6 | $ 53.4 | $ 97.0 | $ 14.3 |

(1) These expected credit losses are deferred as regulatory costs on the balance sheets, as these amounts are ultimately recovered in rates. Amounts include uncollectible costs for hardship accounts and other customer receivables, including uncollectible amounts related to uncollectible energy supply costs and COVID-19. The increase in the allowance for uncollectible hardship accounts in both 2023 and 2022 at Eversource and CL&P primarily relates to increased customer enrollment in disconnection prevention programs in Connecticut.

(2) In connection with PSNH's pole purchase agreement on May 1, 2023, the purchase price included the forgiveness of previously reserved receivables for reimbursement of operation and maintenance and vegetation management costs.

**E. Transfer of Energy Efficiency Loans**

CL&P transferred a portion of its energy efficiency customer loan portfolio to outside lenders in order to make additional loans to customers. CL&P remains the servicer of the loans and will transmit customer payments to the lenders, with a maximum amount outstanding under this program of $55 million. The amounts of the loans are included in Receivables, Net and Other Long-Term Assets, and are offset by Other Current Liabilities and Other Long-Term Liabilities on CL&P's balance sheet. The current and long-term portions totaled $8.5 million and $14.5 million, respectively, as of December 31, 2023, and $9.1 million and $13.0 million, respectively, as of December 31, 2022.

**F. Materials, Supplies, Natural Gas and REC Inventory**

Materials, Supplies, Natural Gas and REC Inventory include materials and supplies purchased primarily for construction or operation and maintenance purposes, natural gas purchased for delivery to customers, and RECs. Inventory is valued at the lower of cost or net realizable value. RECs are purchased from suppliers of renewable sources of generation and are used to meet state mandated Renewable Portfolio Standards requirements. The carrying amounts of materials and supplies, natural gas inventory, and RECs, which are included in Current Assets on the balance sheets, were as follows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Materials and Supplies | $ 397.9 | $ 156.2 | $ 130.8 | $ 76.5 | $ 221.0 | $ 88.2 | $ 81.0 | $ 34.4 |
| Natural Gas | 65.5 | — | — | — | 95.9 | — | — | — |
| RECs | 43.9 | 0.3 | 43.0 | 0.6 | 57.5 | — | 57.4 | 0.1 |
| Total | $ 507.3 | $ 156.5 | $ 173.8 | $ 77.1 | $ 374.4 | $ 88.2 | $ 138.4 | $ 34.5 |

**G. Fair Value Measurements**

Fair value measurement guidance is applied to derivative contracts that are not elected or designated as "normal purchases" or "normal sales" (normal) and to marketable securities held in trusts. Fair value measurement guidance is also applied to valuations of the investments used to calculate the funded status of pension and PBOP plans, the nonrecurring fair value measurements of nonfinancial assets such as goodwill, long-lived assets, equity method investments, AROs, and in the valuation of business combinations and asset acquisitions. The fair value measurement guidance was also applied in estimating the fair value of preferred stock, long-term debt and RRBs.

*Fair Value Hierarchy:* In measuring fair value, Eversource uses observable market data when available in order to minimize the use of unobservable inputs. Inputs used in fair value measurements are categorized into three fair value hierarchy levels for disclosure purposes. The entire fair value measurement is categorized based on the lowest level of input that is significant to the fair value measurement. Eversource evaluates the classification of assets and liabilities measured at fair value on a quarterly basis.

The levels of the fair value hierarchy are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 - Quoted market prices are not available. Fair value is derived from valuation techniques in which one or more significant inputs or assumptions are unobservable. Where possible, valuation techniques incorporate observable market inputs that can be validated to external sources such as industry exchanges, including prices of energy and energy-related products.

Uncategorized - Investments that are measured at net asset value are not categorized within the fair value hierarchy.

*Determination of Fair Value:* The valuation techniques and inputs used in Eversource's fair value measurements are described in Note 4, "Derivative Instruments," Note 5, "Marketable Securities," Note 6, "Investments in Unconsolidated Affiliates," Note 7, "Asset Retirement Obligations," Note 11A, "Employee Benefits – Pension Benefits and Postretirement Benefits Other Than Pension," Note 15, "Fair Value of Financial Instruments," and Note 24, "Goodwill," to the financial statements.

**H. Derivative Accounting**

Many of the electric and natural gas companies' contracts for the purchase and sale of energy or energy-related products are derivatives. The accounting treatment for energy contracts entered into varies and depends on the intended use of the particular contract and on whether or not the contract is a derivative.

The application of derivative accounting is complex and requires management judgment in the following respects: identification of derivatives and embedded derivatives, election and designation of a contract as normal, and determination of the fair value of derivative contracts. All of these judgments can have a significant impact on the financial statements. The judgment applied in the election of a contract as normal (and resulting accrual accounting) includes the conclusion that it is probable at the inception of the contract and throughout its term that it will result in physical delivery of the underlying product and that the quantities will be used or sold by the business in the normal course of business. If facts and circumstances change and management can no longer support this conclusion, then a contract cannot be considered normal, accrual accounting is terminated, and fair value accounting is applied prospectively.

The fair value of derivative contracts is based upon the contract terms and conditions and the underlying market price or fair value per unit. When quantities are not specified in the contract, the Company determines whether the contract has a determinable quantity by using amounts referenced in default provisions and other relevant sections of the contract. The fair value of derivative assets and liabilities with the same counterparty are offset and recorded as a net derivative asset or liability on the balance sheets.

Regulatory assets or regulatory liabilities are recorded to offset the fair values of these derivative contracts related to energy and energy-related products, as contract settlements are recovered from, or refunded to, customers in future rates. All changes in the fair value of these derivative contracts are recorded as regulatory assets or liabilities and do not impact net income.

For further information regarding derivative contracts, see Note 4, "Derivative Instruments," to the financial statements.

**I. Operating Expenses**

The cost of natural gas included in Purchased Power, Purchased Natural Gas and Transmission on the statements of income were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2021 |
| Eversource - Cost of Natural Gas | $ 792.2 | $ 1,010.2 | $ 718.6 |

**J. Allowance for Funds Used During Construction**

AFUDC represents the cost of borrowed and equity funds used to finance construction and is included in the cost of the electric, natural gas and water companies' utility plant on the balance sheet. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of Interest Expense, and the AFUDC related to equity funds is recorded as Other Income, Net on the statements of income. AFUDC costs are recovered from customers over the service life of the related plant in the form of increased revenue collected as a result of higher depreciation expense.

The average AFUDC rate is based on a FERC-prescribed formula using the cost of a company's short-term financings and capitalization (preferred stock, long-term debt and common equity), as appropriate. The average rate is applied to average eligible CWIP amounts to calculate AFUDC.

AFUDC costs and the weighted-average AFUDC rates were as follows:

| **Eversource**<br>*(Millions of Dollars, except percentages)* | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Borrowed Funds | $ 44.6 | $ 21.8 | $ 18.4 |
| Equity Funds | 78.1 | 47.3 | 37.3 |
| Total AFUDC | $ 122.7 | $ 69.1 | $ 55.7 |
| Average AFUDC Rate | 5.8 % | 4.7 % | 4.2 % |

| *(Millions of Dollars, except percentages)* | 2023 CL&P | 2023 NSTAR Electric | 2023 PSNH | 2022 CL&P | 2022 NSTAR Electric | 2022 PSNH | 2021 CL&P | 2021 NSTAR Electric | 2021 PSNH |
|---|---|---|---|---|---|---|---|---|---|
| Borrowed Funds | $ 7.7 | $ 17.2 | $ 6.1 | $ 4.8 | $ 10.7 | $ 1.4 | $ 2.9 | $ 9.0 | $ 0.8 |
| Equity Funds | 20.0 | 45.7 | 5.4 | 13.6 | 24.6 | 2.5 | 7.7 | 20.4 | 1.6 |
| Total AFUDC | $ 27.7 | $ 62.9 | $ 11.5 | $ 18.4 | $ 35.3 | $ 3.9 | $ 10.6 | $ 29.4 | $ 2.4 |
| Average AFUDC Rate | 6.7 % | 5.9 % | 5.1 % | 6.6 % | 5.4 % | 2.6 % | 5.0 % | 4.9 % | 2.5 % |

(For the Years Ended December 31,)

## K. Other Income, Net

The components of Other Income, Net on the statements of income were as follows:

| **Eversource**<br>*(Millions of Dollars)* | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Pension, SERP and PBOP Non-Service Income Components, Net of Deferred Portion [(1)] | $ 132.9 | $ 219.8 | $ 84.4 |
| AFUDC Equity | 78.1 | 47.3 | 37.3 |
| Equity in Earnings of Unconsolidated Affiliates [(2)] | 15.5 | 22.9 | 14.2 |
| Investment (Loss)/Income | (4.9) | 1.9 | (0.2) |
| Interest Income | 94.2 | 50.5 | 25.6 |
| Other [(2)] | 32.3 | 3.7 | — |
| Total Other Income, Net | $ 348.1 | $ 346.1 | $ 161.3 |

| *(Millions of Dollars)* | 2023 CL&P | 2023 NSTAR Electric | 2023 PSNH | 2022 CL&P | 2022 NSTAR Electric | 2022 PSNH | 2021 CL&P | 2021 NSTAR Electric | 2021 PSNH |
|---|---|---|---|---|---|---|---|---|---|
| Pension, SERP and PBOP Non-Service Income Components, Net of Deferred Portion [(1)] | $ 34.9 | $ 57.4 | $ 16.2 | $ 64.4 | $ 85.5 | $ 26.8 | $ 15.2 | $ 40.2 | $ 10.3 |
| AFUDC Equity | 20.0 | 45.7 | 5.4 | 13.6 | 24.6 | 2.5 | 7.7 | 20.4 | 1.6 |
| Investment (Loss)/Income | (2.4) | (0.2) | (0.7) | (1.3) | 1.2 | 0.2 | 1.3 | 0.1 | 0.1 |
| Interest Income | 9.0 | 60.6 | 5.3 | 6.5 | 30.7 | 3.1 | 5.9 | 13.4 | 2.4 |
| Other | 0.1 | 0.6 | 0.4 | 0.1 | 0.7 | 0.1 | 0.1 | 0.7 | 0.2 |
| Total Other Income, Net | $ 61.6 | $ 164.1 | $ 26.6 | $ 83.3 | $ 142.7 | $ 32.7 | $ 30.2 | $ 74.8 | $ 14.6 |

(For the Years Ended December 31,)

[(1)] See Note 11A, "Employee Benefits – Pension Benefits and Postretirement Benefits Other Than Pension," for the components of net periodic benefit income/expense for the Pension, SERP and PBOPPlans. The non-service related components of pension, SERP and PBOP benefit income/expense, after capitalization or deferral, are presented as non-operating income and recorded in Other Income, Net on the statements of income.

[(2)] Eversource's equity method investment in a renewable energy fund was liquidated in March 2023. Liquidation proceeds in excess of the carrying value were recorded in 2023 within Other in the table above. See Note 6, "Investments in Unconsolidated Affiliates," for further information. For the years ended December 31, 2022 and 2021, pre-tax income of $12.2 million and $2.1 million, respectively, associated with this investment was included in Equity in Earnings of Unconsolidated Affiliates within Other Income, Net in the table above.

## L. Other Taxes

Eversource's companies that serve customers in Connecticut collect gross receipts taxes levied by the state of Connecticut from their customers. These gross receipts taxes are recorded separately with collections in Operating Revenues and with payments in Taxes Other Than Income Taxes on the statements of income as follows:

| *(Millions of Dollars)* | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Eversource | $ 202.9 | $ 194.7 | $ 181.9 |
| CL&P | 174.9 | 166.1 | 158.1 |

As agents for state and local governments, Eversource's companies that serve customers in Connecticut and Massachusetts collect certain sales taxes that are recorded on a net basis with no impact on the statements of income.

## M. Supplemental Cash Flow Information

| **Eversource** *(Millions of Dollars)* | As of and For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Cash Paid During the Year for: | | | |
| Interest, Net of Amounts Capitalized | $ 783.2 | $ 636.2 | $ 568.7 |
| Income Taxes | 39.2 | 77.9 | 121.6 |
| Non-Cash Investing Activities: | | | |
| Plant Additions Included in Accounts Payable (As of) | 564.1 | 586.9 | 467.9 |

| | As of and For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2021 | | |
| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH |
| Cash Paid/(Received) During the Year for: | | | | | | | | | |
| Interest, Net of Amounts Capitalized | $ 176.8 | $ 182.8 | $ 62.8 | $ 167.2 | $ 152.8 | $ 58.3 | $ 161.5 | $ 141.6 | $ 56.5 |
| Income Taxes | (44.1) | 31.3 | (59.9) | 117.6 | 23.8 | 58.3 | 38.4 | 74.2 | 51.1 |
| Non-Cash Investing Activities: | | | | | | | | | |
| Plant Additions Included in Accounts Payable (As of) | 139.8 | 178.9 | 65.9 | 131.8 | 184.3 | 76.2 | 110.6 | 120.0 | 68.7 |

The following table reconciles cash and cash equivalents as reported on the balance sheets to the cash, cash equivalents and restricted cash balance as reported on the statements of cash flows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Cash and Cash Equivalents as reported on the Balance Sheets | $ 53.9 | $ 10.2 | $ 6.7 | $ 0.2 | $ 374.6 | $ 11.3 | $ 327.7 | $ 0.1 |
| Restricted cash included in: | | | | | | | | |
| Special Deposits | 81.5 | 2.0 | 16.1 | 31.6 | 102.2 | 8.8 | 17.5 | 33.1 |
| Marketable Securities | 13.7 | — | — | — | 25.4 | 0.2 | 0.1 | 0.4 |
| Other Long-Term Assets | 17.3 | — | — | 3.2 | 19.6 | — | — | 3.2 |
| Cash, Cash Equivalents and Restricted Cash as reported on the Statements of Cash Flows | $ 166.4 | $ 12.2 | $ 22.8 | $ 35.0 | $ 521.8 | $ 20.3 | $ 345.3 | $ 36.8 |

Special Deposits represent cash collections related to the PSNH RRB customer charges that are held in trust, required ISO-NE cash deposits, cash held in escrow accounts, and CYAPC and YAEC cash balances. Special Deposits are included in Current Assets on the balance sheets. As of both December 31, 2023 and December 31, 2022, restricted cash included in Marketable Securities represented money market funds held in restricted trusts to fund CYAPC and YAEC's spent nuclear fuel storage obligations. As of December 31, 2022, restricted cash included in Marketable Securities also included money market funds held in trusts to fund certain non-qualified executive benefits.

Eversource’s restricted cash includes an Energy Relief Fund for energy efficiency and clean energy measures in the Merrimack Valley established under the terms of the EGMA 2020 settlement agreement. This restricted cash held in escrow accounts included $20.0 million recorded as short-term in Special Deposits as of both December 31, 2023 and December 31, 2022, and $14.1 million and $15.9 million recorded in Other Long-Term Assets on the balance sheets as of December 31, 2023 and December 31, 2022, respectively.

## N. Related Parties

Eversource Service, Eversource's service company, provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, tax, and other services to Eversource's companies. The Rocky River Realty Company and Properties, Inc., two other Eversource subsidiaries, construct, acquire or lease some of the property and facilities used by Eversource's companies.

As of December 31, 2022, CL&P, NSTAR Electric and PSNH had long-term receivables from Eversource Service in the amounts of $25.0 million, $5.5 million and $3.8 million, which were included in Other Long-Term Assets on the balance sheets. These amounts related to the funding of investments held in trust by Eversource Service in connection with certain postretirement benefits for CL&P, NSTAR Electric and PSNH employees and were eliminated in consolidation on the Eversource financial statements. As of December 31, 2023, these intercompany balances were settled.

Included in the CL&P, NSTAR Electric and PSNH balance sheets as of December 31, 2023 and 2022 were Accounts Receivable from Affiliated Companies and Accounts Payable to Affiliated Companies relating to transactions between CL&P, NSTAR Electric and PSNH and other subsidiaries that are wholly-owned by Eversource. These amounts have been eliminated in consolidation on the Eversource financial statements.

The Eversource Energy Foundation is an independent not-for-profit charitable entity and is not included in the consolidated financial statements of Eversource as the Company does not have title to, and cannot receive contributions back from, the Eversource Energy Foundation's assets. Eversource made contributions to the Eversource Energy Foundation of $20.0 million in 2023 and $8.0 million in 2022, and did not make any contributions in 2021.

## 2. REGULATORY ACCOUNTING

Eversource's utility companies are subject to rate regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the timing of the recognition of certain revenues and expenses. The regulated companies' financial statements reflect the effects of the rate-making process. The rates charged to the customers of Eversource's regulated companies are designed to collect each company's costs to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

Management believes it is probable that each of the regulated companies will recover its respective investments in long-lived assets and the regulatory assets that have been recorded. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the applicable costs would be charged to net income in the period in which the determination is made.

*Regulatory Assets:* The components of regulatory assets were as follows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Storm Costs, Net | $ 1,785.9 | $ 896.6 | $ 609.1 | $ 280.2 | $ 1,379.1 | $ 799.3 | $ 484.4 | $ 95.4 |
| Regulatory Tracking Mechanisms | 1,319.2 | 354.5 | 482.9 | 182.2 | 1,075.3 | 216.8 | 391.5 | 73.7 |
| Benefit Costs | 1,117.3 | 197.4 | 336.7 | 79.3 | 921.7 | 156.7 | 299.5 | 56.6 |
| Income Taxes, Net | 912.4 | 512.6 | 128.6 | 16.4 | 853.3 | 491.1 | 115.6 | 16.0 |
| Securitized Stranded Costs | 392.5 | — | — | 392.5 | 435.7 | — | — | 435.7 |
| Goodwill-related | 264.1 | — | 226.7 | — | 281.0 | — | 241.2 | — |
| Asset Retirement Obligations | 137.9 | 38.5 | 72.3 | 4.7 | 127.9 | 35.9 | 68.2 | 4.4 |
| Derivative Liabilities | 120.9 | 120.9 | — | — | 181.8 | 181.8 | — | — |
| Other Regulatory Assets | 339.0 | 22.7 | 101.6 | 8.0 | 322.5 | 26.2 | 114.0 | 14.4 |
| Total Regulatory Assets | 6,389.2 | 2,143.2 | 1,957.9 | 963.3 | 5,578.3 | 1,907.8 | 1,714.4 | 696.2 |
| Less: Current Portion | 1,674.2 | 480.4 | 676.1 | 189.5 | 1,335.5 | 314.1 | 492.8 | 102.2 |
| Total Long-Term Regulatory Assets | $ 4,715.0 | $ 1,662.8 | $ 1,281.8 | $ 773.8 | $ 4,242.8 | $ 1,593.7 | $ 1,221.6 | $ 594.0 |

Storm Costs, Net: The storm cost deferrals relate to costs incurred for storm events at CL&P, NSTAR Electric and PSNH that each company expects to recover from customers. A storm must meet certain criteria to qualify for deferral and recovery with the criteria specific to each state jurisdiction and utility company. Once a storm qualifies for recovery, all qualifying expenses incurred during storm restoration efforts are deferred and recovered from customers. Costs for storms that do not meet the specific criteria are expensed as incurred. In addition to storm restoration costs, CL&P and PSNH are each allowed to recover pre-staging storm costs. Management believes all storm costs deferred were prudently incurred and meet the criteria for specific cost recovery in Connecticut, Massachusetts and New Hampshire, and that recovery from customers is probable through the applicable regulatory recovery processes. Each electric utility company either recovers a carrying charge on its deferred storm cost regulatory asset balance or the regulatory asset balance is included in rate base.

Multiple tropical and severe storms over the past several years have caused extensive damage to Eversource’s electric distribution systems resulting in significant numbers and durations of customer outages, along with significant pre-staging costs. Storms in 2023 that qualified for future recovery resulted in deferred storm restoration costs and pre-staging costs totaling $542 million at Eversource, including $178 million at CL&P, $192 million at NSTAR Electric, and $172 million at PSNH. Management believes that all of these storm costs were prudently incurred and meet the criteria for specific cost recovery. Of Eversource’s total deferred storm costs, $1.75 billion either have yet to be filed with the applicable regulatory commission, are pending regulatory approval, or are subject to prudency review (including $975 million at CL&P, $526 million at NSTAR Electric and $246 million at PSNH) as of December 31, 2023. These storm cost totals exclude storm funding amounts that are collected in rates, which are recorded as a reduction to the deferred storm cost regulatory asset balance.

CL&P, NSTAR Electric and PSNH are seeking approval of their deferred storm restoration costs through the applicable regulatory recovery process. As part of CL&P’s October 1, 2021 settlement agreement, CL&P agreed to freeze its current base distribution rates (including storm costs) until no earlier than January 1, 2024. On December 22, 2023, CL&P initiated a docket seeking a prudency review of approximately $634 million of catastrophic storm costs for twenty-four weather events from January 1, 2018 to December 31, 2021. In the filing, CL&P requested PURA establish a rate to collect $50 million annually from customers from the date of the final decision in this proceeding. This rate would be effective until the next distribution rate case and would replenish the under-collected storm reserve and reduce future carrying charges for customers.

CL&P’s storm events include the August 4, 2020 Tropical Storm Isaias, which resulted in deferred storm restoration costs of approximately $232 million at CL&P as of December 31, 2023. Although in 2021 PURA found that CL&P’s performance in its preparation for, and response to, Tropical Storm Isaias fell below applicable performance standards in certain instances, CL&P believes it presented in its 2023 storm filing, credible evidence demonstrating there is no reasonably close causal connection between the alleged sub-standard performance and the storm costs incurred. While it is possible that some amount of storm costs may be disallowed by PURA, any such amount cannot be estimated at this time. CL&P continues to believe that these storm restoration costs associated with Tropical Storm Isaias were prudently incurred and meet the criteria for cost recovery; and as a result, management does not expect the storm cost review by PURA to have a material impact on the financial position or results of operations of CL&P.

Regulatory Tracking Mechanisms: The regulated companies' approved rates are designed to recover costs incurred to provide service to customers. The regulated companies recover certain of their costs on a fully-reconciling basis through regulatory commission-approved tracking mechanisms. The differences between the costs incurred (or the rate recovery allowed) and the actual revenues are recorded as regulatory assets (for undercollections) or as regulatory liabilities (for overcollections) to be included in future customer rates each year. Carrying charges are recovered in rates on all material regulatory tracking mechanisms.

The electric and natural gas distribution companies recover, on a fully reconciling basis, the costs associated with the procurement of energy and natural gas supply, electric transmission related costs from FERC-approved transmission tariffs, energy efficiency programs, low income assistance programs, certain uncollectible accounts receivable for hardship customers, restructuring and stranded costs as a result of deregulation (including securitized RRB charges), certain capital tracking mechanisms for infrastructure improvements, and additionally for the Massachusetts utilities, pension and PBOP benefits, net metering for distributed generation, and solar-related programs.

CL&P, NSTAR Electric, Yankee Gas, NSTAR Gas, EGMA and the Aquarion Water Company of Connecticut each have a regulatory commission approved revenue decoupling mechanism. Distribution revenues are decoupled from customer sales volumes, where applicable, which breaks the relationship between sales volumes and revenues. Each company reconciles its annual base distribution rate recovery amount to the pre-established levels of baseline distribution delivery service revenues. Any difference between the allowed level of distribution revenue and the actual amount realized during a 12-month period is adjusted through rates in the following period.

Benefit Costs: Deferred benefit costs represent unrecognized actuarial losses and gains and unrecognized prior service costs and credits attributable to Eversource's Pension, SERP and PBOPPlans. The regulated companies record actuarial losses and gains and prior service costs and credits arising at the December 31st remeasurement date of the funded status of the benefit plans as a regulatory asset or regulatory liability in lieu of a charge to Accumulated Other Comprehensive Income/(Loss), reflecting ultimate recovery from customers through rates. The regulatory asset or regulatory liability is amortized with the recognition of actuarial losses and gains and prior service costs and credits to net periodic benefit expense/income over the estimated average future employee service period using the corridor approach. Regulatory accounting is also applied to the portions of Eversource's service company costs that support the regulated companies, as these amounts are also recoverable. As these regulatory assets or regulatory liabilities do not represent a cash outlay for the regulated companies, no carrying charge is recovered from customers. See Note 11A, "Employee Benefits - Pension Benefits and Postretirement Benefits Other Than Pension," for further information on regulatory benefit plan amounts arising and amortized during the year.

Eversource, CL&P, NSTAR Electric, and PSNH recover benefit costs related to their distribution and transmission operations from customers in rates as allowed by their applicable regulatory commissions. NSTAR Electric, NSTAR Gas and EGMA recover qualified pension and PBOP expenses related to their distribution operations through a rate reconciling mechanism that fully tracks the change in net pension and PBOP expenses each year. The electric transmission companies' rates provide for an annual true-up of estimated to actual costs, which include pension and PBOPexpenses.

Income Taxes, Net: The tax effect of temporary book-tax differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income, including those differences relating to uncertain tax positions) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions and accounting guidance for income taxes. Differences in income taxes between the accounting guidance and the rate-making treatment of the applicable regulatory commissions are recorded as regulatory assets. As these assets are offset by deferred income tax liabilities, no carrying charge is collected. The amortization period of these assets varies depending on the nature and/or remaining life of the underlying assets and liabilities. For further information regarding income taxes, see Note 12, "Income Taxes," to the financial statements.

Securitized Stranded Costs: In 2018, a subsidiary of PSNH issued $635.7 million of securitized RRBs to finance PSNH's unrecovered remaining costs associated with the divestiture of its generation assets. Securitized regulatory assets, which are not earning an equity return, are being recovered over the amortization period of the associated RRBs. The PSNH RRBs are expected to be repaid by February 1, 2033. For further information, see Note 10, "Rate Reduction Bonds and Variable Interest Entities," to the financial statements.

Goodwill-related: The goodwill regulatory asset originated from a 1999 transaction, and the DPU allowed its recovery in NSTAR Electric and NSTAR Gas rates. This regulatory asset is currently being amortized and recovered from customers in rates without a carrying charge over a 40-year period, and as of December 31, 2023, there were 16 years of amortization remaining.

Asset Retirement Obligations: The costs associated with the depreciation of the regulated companies' ARO assets and accretion of the ARO liabilities are recorded as regulatory assets in accordance with regulatory accounting guidance. The regulated companies' ARO assets, regulatory assets, and ARO liabilities offset and are excluded from rate base. These costs are being recovered over the life of the underlying property, plant and equipment.

Derivative Liabilities: Regulatory assets are recorded as an offset to derivative liabilities and relate to the fair value of contracts used to purchase energy and energy-related products that will be recovered from customers in future rates. These assets are excluded from rate base and are being recovered as the actual settlements occur over the duration of the contracts. See Note 4, "Derivative Instruments," to the financial statements for further information on these contracts.

Other Regulatory Assets: Other Regulatory Assets primarily include environmental remediation costs, certain uncollectible accounts receivable for hardship customers, certain exogenous property taxes and merger-related costs allowed for recovery, contractual obligations associated with the spent nuclear fuel storage costs of the CYAPC, YAEC and MYAPC decommissioned nuclear power facilities, water tank painting costs, losses associated with the reacquisition or redemption of long-term debt, removal costs incurred that exceed amounts collected from customers, and various other items.

*Regulatory Costs in Other Long-Term Assets:* Eversource's regulated companies had $241.7 million (including $166.7 million for CL&P, $21.9 million for NSTAR Electric and $1.2 million for PSNH) and $210.8 million (including $135.9 million for CL&P, $19.8 million for NSTAR Electric and $1.0 million for PSNH) of additional regulatory costs not yet specifically approved as of December 31, 2023 and 2022, respectively, that were included in Other Long-Term Assets on the balance sheets. These amounts will be reclassified to Regulatory Assets upon approval by the applicable regulatory agency. Based on regulatory policies or past precedent on similar costs, management believes it is probable that these costs will ultimately be approved and recovered from customers in rates. As of December 31, 2023 and 2022, these regulatory costs included $82.1 million (including $64.0 million for CL&P and $7.3 million for NSTAR Electric) and $64.0 million (including $52.8 million for CL&P and $3.5 million for NSTAR Electric), respectively, of deferred uncollectible hardship costs.

*Equity Return on Regulatory Assets:* For rate-making purposes, the regulated companies recover the carrying costs related to their regulatory assets. For certain regulatory assets, the carrying cost recovered includes an equity return component. This equity return is not recorded on the balance sheets. The equity return for PSNH was $10.2 million and $4.1 million as of December 31, 2023 and 2022, respectively. These carrying costs will be recovered from customers in future rates.

*Regulatory Liabilities:* The components of regulatory liabilities were as follows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | **Eversource** | **CL&P** | **NSTAR Electric** | **PSNH** | **Eversource** | **CL&P** | **NSTAR Electric** | **PSNH** |
| EDIT due to Tax Cuts and Jobs Act of 2017 | $ 2,548.6 | $ 969.2 | $ 905.1 | $ 339.3 | $ 2,619.3 | $ 983.6 | $ 944.3 | $ 348.6 |
| Cost of Removal | 666.6 | 157.9 | 420.9 | 16.2 | 670.6 | 130.8 | 405.3 | 14.7 |
| Regulatory Tracking Mechanisms | 668.3 | 154.0 | 347.2 | 114.4 | 890.8 | 361.0 | 336.1 | 155.0 |
| Deferred Portion of Non-Service Income Components of Pension, SERP and PBOP | 354.0 | 49.9 | 175.9 | 36.6 | 270.9 | 34.5 | 139.7 | 28.8 |
| AFUDC - Transmission | 124.3 | 56.1 | 68.2 | — | 98.2 | 48.2 | 50.0 | — |
| Benefit Costs | 51.0 | 0.6 | 22.2 | — | 55.4 | 0.7 | 31.4 | — |
| Other Regulatory Liabilities | 201.9 | 30.4 | 13.9 | 4.6 | 215.9 | 40.6 | 14.5 | 6.5 |
| Total Regulatory Liabilities | 4,614.7 | 1,418.1 | 1,953.4 | 511.1 | 4,821.1 | 1,599.4 | 1,921.3 | 553.6 |
| Less: Current Portion | 591.8 | 102.2 | 368.1 | 117.5 | 890.8 | 336.0 | 373.2 | 162.0 |
| Total Long-Term Regulatory Liabilities | $ 4,022.9 | $ 1,315.9 | $ 1,585.3 | $ 393.6 | $ 3,930.3 | $ 1,263.4 | $ 1,548.1 | $ 391.6 |

EDIT due to Tax Cuts and Jobs Act of 2017: Pursuant to the Tax Cuts and Jobs Act of 2017, Eversource had remeasured its existing deferred federal income tax balances to reflect the decrease in the U.S. federal corporate income tax rate from 35 percent to 21 percent. The remeasurement resulted in provisional regulated excess accumulated deferred income tax (excess ADIT or EDIT) liabilities that will benefit customers in future periods and were recognized as regulatory liabilities on the balance sheet. EDIT liabilities related to property, plant, and equipment are subject to IRS normalization rules and will be returned to customers using the same timing as the remaining useful lives of the underlying assets that gave rise to the ADIT liabilities. Eversource's regulated companies (except for the Connecticut water business) are in the process of refunding the EDIT liabilities to customers based on orders issued by applicable state and federal regulatory commissions.

Cost of Removal: Eversource's regulated companies currently recover amounts in rates for future costs of removal of plant assets over the lives of the assets. The estimated cost to remove utility assets from service is recognized as a component of depreciation expense, and the cumulative amount collected from customers but not yet expended is recognized as a regulatory liability. Expended removal costs that exceed amounts collected from customers are recognized as regulatory assets, as they are probable of recovery in future rates.

Deferred Portion of Non-Service Income Components of Pension, SERP and PBOP: Regulatory liabilities were recorded for the deferred portion of the non-service related components of net periodic benefit expense/(income) for the Pension, SERP and PBOPPlans. These regulatory liabilities will be amortized over the remaining useful lives of the various classes of utility property, plant and equipment.

AFUDC - Transmission: Regulatory liabilities were recorded by CL&P and NSTAR Electric for AFUDC accrued on certain reliability-related transmission projects to reflect local rate base recovery. These regulatory liabilities will be amortized over the depreciable life of the related transmission assets.

Other Regulatory Liabilities: Other Regulatory Liabilities primarily include EGMA's acquired regulatory liability as a result of the 2020 DPU-approved rate settlement agreement and the CMA asset acquisition on October 9, 2020, and various other items.

FERC ROE Complaints: As of December 31, 2023 and 2022, Eversource has a reserve established for the second ROE complaint period in the pending FERC ROE complaint proceedings, which was recorded as a regulatory liability and is reflected within Regulatory Tracking Mechanisms in the table above. The cumulative pre-tax reserve (excluding interest) as of December 31, 2023 and 2022 totaled $39.1 million for Eversource (including $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH). See Note 13E, "Commitments and Contingencies – FERC ROE Complaints," for further information on developments in the pending ROE complaint proceedings.

*Regulatory Developments:*

2022 CL&P Rate Relief Plan: On November 28, 2022, Governor Lamont, DEEP, Office of Consumer Counsel, and CL&P jointly developed a rate relief plan for electric customers for the winter peak season of January 1, 2023 through April 30, 2023. On December 16, 2022, PURA approved the rate relief plan. As part of the rate relief plan, CL&P reduced the Non-Bypassable Federally Mandated Congestion Charge (NBFMCC) rate effective January 1, 2023 to provide customers with an average $10 monthly bill credit from January through April 2023. This rate reduction accelerated the return to customers of net revenues generated by long-term state-approved energy contracts with the Millstone and Seabrook nuclear power plants of approximately $90 million. The rate relief plan also included instituting a temporary, flat monthly discount for qualifying low-income hardship customers effective January 1, 2023. This flat-rate credit will continue until a new low-income discount rate that was approved by PURA in an October 19, 2022 decision is implemented in 2024. These aspects of the rate relief plan do not impact CL&P's earnings but do impact its future cash flows. Also as part of the rate relief plan, CL&P committed to contribute $10 million to an energy assistance program for qualifying hardship customers, which was distributed as a bill credit to those customers during 2023. CL&P recorded a current liability of $10 million on the balance sheet and a charge to expense on the statement of income for the year ended December 31, 2022 associated with the customer assistance program.

2022 NSTAR Electric Distribution Rate Case: On November 30, 2022, the DPU issued its decision in the NSTAR Electric distribution rate case and approved a base distribution rate increase of $64 million effective January 1, 2023. The DPU approved a renewal of the PBR plan originally authorized in its previous rate case for a five-year term, with a corresponding stay out provision. The PBR plan term has the possibility of a five-year extension. The PBR mechanism allows for an annual adjustment to base distribution rates for inflation and exogenous events. The DPU also allowed for adjustments to the PBR mechanism for the recovery of future capital additions based on a historical five-year average of total capital additions, beginning with the January 1, 2024 PBR adjustment. The decision allows an authorized regulatory ROE of 9.80 percent on a capital structure including 53.2 percent equity.

Among other items, the DPU approved an increase to the annual storm fund contribution collected through base distribution rates from $10 million to $31 million, and allowed for the recovery of storm threshold costs of $1.3 million per storm event subsequent to the eighth storm in a calendar year (six recovered in base rates plus two additional storms). The DPU approved cost recovery of a portion of NSTAR Electric's outstanding storm costs beginning on January 1, 2023 and January 1, 2024, subject to reconciliation from future prudency reviews. In a subsequent compliance filing, the DPU allowed recovery to commence for outstanding storm costs occurring between 2018 and 2022 and interest in a total of $162.1 million over a five-year period starting January 1, 2023. In addition, NSTAR Electric will begin to recover 2021 exogenous storms and interest in a total of $220.9 million over a five-year period beginning January 1, 2024. The DPU also approved the recovery of historical exogenous property taxes of $30.8 million incurred from 2020 through 2022 over a two-year period and $8.3 million incurred from 2012 through 2015 over a five-year period effective January 1, 2023. As a result of this decision, these deferred property taxes were reclassified from Other Long-Term Assets to Regulatory Assets on the NSTAR Electric December 31, 2022 balance sheet.

2023 NSTAR Electric Distribution Rates: NSTAR Electric submitted its first annual PBR Adjustment filing on September 15, 2023 and on December 26, 2023, the DPU approved a $104.9 million increase to base distribution rates effective January 1, 2024. The base distribution rate increase was comprised of a $50.6 million inflation-based adjustment and a $54.3 million K-bar adjustment for capital additions based on the difference between the historical five-year average of total capital additions and the base capital revenue requirement.

2022 NSTAR Gas Distribution Rates:NST AR Gas' PBR mechanism allows for an annual adjustment to base distribution rates for inflation and exogenous events. NSTAR Gas submitted its second annual PBR Adjustment filing on September 15, 2022 and on October 31, 2022, the DPU approved a $21.7 million increase to base distribution rates for effect on November 1, 2022. The increase is inclusive of a $4.5 million permanent increase related to exogenous property taxes and a $5.4 million increase related to an October 6, 2021 mitigation plan filing that delayed recovery of a portion of a base distribution rate increase originally scheduled to take effect November 1, 2021. The DPU also approved the recovery of historical exogenous property taxes incurred from November 1, 2020 through October 31, 2022 of $8.2 million over a two-year period through a separate reconciling mechanism effective November 1, 2022. As a result of this decision, these deferred property taxes were reclassified from Other Long-Term Assets to Regulatory Assets on the Eversource December 31, 2022 balance sheet.

2023 NSTAR Gas Distribution Rates:NST AR Gas submitted its third annual PBR Adjustment filing on September 15, 2023 and on October 30, 2023, the DPU approved a $25.4 million increase to base distribution rates, of which, $15.5 million was associated with a base rate adjustment and the remainder for a prior period exogenous cost adjustment, for effect on November 1, 2023.

2022 EGMA Distribution Rates: As established in an October 7, 2020 EGMA Rate Settlement Agreement approved by the DPU, on September 16, 2022 EGMA filed for its second base distribution rate increase and on October 31, 2022, the DPU approved a $6.7 million increase to base distribution rates and a $3.3 million increase to the Tax Act Credit Factor for effect on November 1, 2022. The DPU also approved the recovery of historical exogenous property taxes incurred from November 1, 2020 through October 31, 2022 of $8.6 million over a two-year period through a separate reconciling mechanism effective November 1, 2022. EGMA will request recovery of incremental property taxes incurred after October 31, 2022 in future exogenous filings. As a result of this decision, these deferred property taxes were reclassified from Other Long-Term Assets to Regulatory Assets on the Eversource December 31, 2022 balance sheet.

2023 PSNH Pole Acquisition Approval: On November 18, 2022, the NHPUC issued a decision that approved a proposed purchase agreement between PSNH and Consolidated Communications, in which, PSNH would acquire both jointly-owned and solely-owned poles and pole assets. The NHPUC also authorized PSNH to recover certain expenses associated with the operation and maintenance of the transferred poles, pole inspections, and vegetation management expenses through a new cost recovery mechanism, the Pole Plant Adjustment Mechanism (PPAM), subject to consummation of the purchase agreement. The purchase agreement was finalized on May 1, 2023 for a purchase price of $23.3 million. Upon consummation of the purchase agreement, PSNH established a regulatory asset of $16.9 million for operation and maintenance expenses and vegetation management expenses associated with the purchased poles incurred from February 10, 2021 through April 30, 2023 that PSNH is authorized to collect through the PPAM regulatory tracking mechanism. The establishment of the PPAM regulatory asset resulted in a pre-tax benefit recorded in Amortization expense on the PSNH statement of income in 2023.

## 3. PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

Utility property, plant and equipment is recorded at original cost. Original cost includes materials, labor, construction overheads and AFUDC for regulated property. The cost of repairs and maintenance is charged to Operations and Maintenance expense as incurred.

The following tables summarize property, plant and equipment by asset category:

| **Eversource** | **As of December 31,** | |
|---|---|---|
| *(Millions of Dollars)* | **2023** | **2022** |
| Distribution - Electric | $ 19,656.5 | $ 18,326.2 |
| Distribution - Natural Gas | 8,155.3 | 7,443.8 |
| Transmission - Electric | 14,666.8 | 13,709.3 |
| Distribution - Water | 2,280.1 | 2,112.6 |
| Solar | 201.1 | 200.8 |
| Utility | 44,959.8 | 41,792.7 |
| Other [(1)] | 2,006.8 | 1,738.1 |
| Property, Plant and Equipment, Gross | 46,966.6 | 43,530.8 |
| Less: Accumulated Depreciation | | |
| Utility | (9,670.1) | (9,167.4) |
| Other | (869.6) | (706.1) |
| Total Accumulated Depreciation | (10,539.7) | (9,873.5) |
| Property, Plant and Equipment, Net | 36,426.9 | 33,657.3 |
| Construction Work in Progress | 3,071.7 | 2,455.5 |
| Total Property, Plant and Equipment, Net | $ 39,498.6 | $ 36,112.8 |

| | **As of December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | **2022** | | |
| *(Millions of Dollars)* | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** |
| Distribution - Electric | $ 7,897.1 | $ 9,000.5 | $ 2,799.2 | $ 7,370.1 | $ 8,410.0 | $ 2,586.4 |
| Transmission - Electric | 6,548.2 | 5,630.8 | 2,489.5 | 6,165.1 | 5,333.8 | 2,212.0 |
| Solar | — | 201.1 | — | — | 200.8 | — |
| Property, Plant and Equipment, Gross | 14,445.3 | 14,832.4 | 5,288.7 | 13,535.2 | 13,944.6 | 4,798.4 |
| Less: Accumulated Depreciation | (2,670.5) | (3,585.9) | (984.0) | (2,567.1) | (3,381.2) | (912.3) |
| Property, Plant and Equipment, Net | 11,774.8 | 11,246.5 | 4,304.7 | 10,968.1 | 10,563.4 | 3,886.1 |
| Construction Work in Progress | 565.4 | 1,507.3 | 270.0 | 498.9 | 1,063.6 | 174.1 |
| Total Property, Plant and Equipment, Net | $ 12,340.2 | $ 12,753.8 | $ 4,574.7 | $ 11,467.0 | $ 11,627.0 | $ 4,060.2 |

(1) These assets are primarily comprised of computer software, hardware and equipment at Eversource Service and buildings at The Rocky River Realty Company.

*Depreciation:* Depreciation of utility assets is calculated on a straight-line basis using composite rates based on the estimated remaining useful lives of the various classes of property (estimated useful life for PSNH distribution and the water utilities). The composite rates, which are subject to approval by the appropriate state regulatory agency, include a cost of removal component, which is collected from customers over the lives of the plant assets and is recognized as a regulatory liability. Depreciation rates are applied to property from the time it is placed in service.

Upon retirement from service, the cost of the utility asset is charged to the accumulated provision for depreciation. The actual incurred removal costs are applied against the related regulatory liability.

The depreciation rates for the various classes of utility property, plant and equipment aggregate to composite rates as follows:

| *(Percent)* | 2023 | 2022 | 2021 |
|---|---|---|---|
| Eversource | 3.1 % | 3.0 % | 3.1 % |
| CL&P | 2.8 % | 2.8 % | 2.8 % |
| NSTAR Electric | 2.7 % | 2.7 % | 2.8 % |
| PSNH | 3.0 % | 3.0 % | 3.1 % |

The following table summarizes average remaining useful lives of depreciable assets:

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| *(Years)* | Eversource | CL&P | NSTAR Electric | PSNH |
| Distribution - Electric | 34.0 | 35.3 | 34.5 | 29.6 |
| Distribution - Natural Gas | 35.7 | — | — | — |
| Transmission - Electric | 40.6 | 37.1 | 45.3 | 41.4 |
| Distribution - Water | 40.0 | — | — | — |
| Solar | 22.8 | — | 22.8 | — |
| Other [(1)] | 10.4 | — | — | — |

[(1)] The estimated useful life of computer software, hardware and equipment primarily ranges from 5 to 15 years and of buildings is 40 years.

## 4. DERIVATIVE INSTRUMENTS

The electric and natural gas companies purchase and procure energy and energy-related products, which are subject to price volatility, for their customers. The costs associated with supplying energy to customers are recoverable from customers in future rates. These regulated companies manage the risks associated with the price volatility of energy and energy-related products through the use of derivative and non-derivative contracts.

Many of the derivative contracts meet the definition of, and are designated as, normal and qualify for accrual accounting under the applicable accounting guidance. The costs and benefits of derivative contracts that meet the definition of normal are recognized in Operating Expenses on the statements of income as electricity or natural gas is delivered.

Derivative contracts that are not designated as normal are recorded at fair value as current or long-term Derivative Assets or Derivative Liabilities on the balance sheets. For the electric and natural gas companies, regulatory assets or regulatory liabilities are recorded to offset the fair values of derivatives, as contract settlement amounts are recovered from, or refunded to, customers in their respective energy supply rates.

The gross fair values of derivative assets and liabilities with the same counterparty are offset and reported as net Derivative Assets or Derivative Liabilities, with current and long-term portions, on the balance sheets. The following table presents the gross fair values of contracts, categorized by risk type, and the net amounts recorded as current or long-term derivative assets or liabilities:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| **CL&P** *(Millions of Dollars)* | Fair Value Hierarchy | Commodity Supply and Price Risk Management | Netting [(1)] | Net Amount Recorded as a Derivative | Fair Value Hierarchy | Commodity Supply and Price Risk Management | Netting [(1)] | Net Amount Recorded as a Derivative |
| Current Derivative Assets | Level 2 | $ 16.4 | $ (0.5) | $ 15.9 | Level 3 | $ 16.3 | $ (0.5) | $ 15.8 |
| Long-Term Derivative Assets | Level 2 | 13.6 | (0.5) | 13.1 | Level 3 | 28.8 | (0.9) | 27.9 |
| Current Derivative Liabilities | Level 2 | (81.9) | — | (81.9) | Level 3 | (81.6) | — | (81.6) |
| Long-Term Derivative Liabilities | Level 2 | (68.0) | — | (68.0) | Level 3 | (143.9) | — | (143.9) |

[(1)] Amounts represent derivative assets and liabilities that Eversource elected to record net on the balance sheets. These amounts are subject to master netting agreements or similar agreements for which the right of offset exists.

The business activities that result in the recognition of derivative assets also create exposure to various counterparties. As of December 31, 2023, CL&P's derivative assets were exposed to counterparty credit risk and contracted with investment grade entities.

Derivative Contracts at Fair Value with Offsetting Regulatory Amounts

*Commodity Supply and Price Risk Management*: As required by regulation, CL&P, along with UI, has capacity-related contracts with generation facilities. CL&P has a sharing agreement with UI, with 80 percent of the costs or benefits of each contract borne by or allocated to CL&P and 20 percent borne by or allocated to UI. The combined capacities of these contracts as of December 31, 2023 and 2022 were 682 MW and 674 MW, respectively. The capacity contracts extend through 2026 and obligate both CL&P and UI to make or receive payments on a monthly basis to or from the generation facilities based on the difference between a set capacity price and the capacity market price received in the ISO-NE capacity markets.

For the years ended December 31, 2023, 2022 and 2021, there were losses of $3.9 million, gains of $10.1 million and losses of $7.1 million, respectively, deferred as regulatory costs, which reflect the change in fair value associated with Eversource's derivative contracts.

Fair Value Measurements of Derivative Instruments

The fair value of derivative contracts utilizes both observable and unobservable inputs. The fair value is modeled using income techniques, such as discounted cash flow valuations adjusted for assumptions related to exit price. Valuations of derivative contracts using a discounted cash flow methodology include assumptions regarding the timing and likelihood of scheduled capacity payments and also reflect non-performance risk, including credit, using the default probability approach based on the counterparty's credit rating for assets and the Company's credit rating for liabilities. Significant observable inputs for valuations of these contracts include energy-related product prices in future years for which quoted prices in an active market exist. Valuations incorporate estimates of premiums or discounts that would be required by a market participant to arrive at an exit price, using historical market transactions adjusted for the terms of the contract. Fair value measurements were prepared by individuals with expertise in valuation techniques, pricing of energy-related products, and accounting requirements. All derivative contracts were classified as Level 2 in the fair value hierarchy as of December 31, 2023, and were classified as Level 3 as of December 31, 2022.

Exit price premiums are unobservable inputs applied to these contracts and reflect the uncertainty and illiquidity premiums that would be required based on the most recent market activity available for similar type contracts. The risk premium was weighted by the relative fair value of the net derivative instruments. As of December 31, 2022, these exit price premiums were a Level 3 significant unobservable input and ranged from 2.9 percent through 7.1 percent, or a weighted average of 6.1 percent. As of December 31, 2023, exit price premiums are no longer considered significant in the valuation of the derivative contracts.

As of December 31, 2022, Level 3 significant unobservable inputs also utilized in the valuation of CL&P's capacity-related contracts included forward reserve prices of $0.44 per kW-Month through $0.50 per kW-Month, or a weighted average of $0.47 per kW-Month, over the period 2023 through 2024. As of December 31, 2023, these forward reserve price inputs are now observable.

Significant increases or decreases in future capacity or forward reserve prices in isolation would decrease or increase, respectively, the fair value of the derivative liability. Any increases in risk premiums would increase the fair value of the derivative liability. Changes in these fair values are recorded as a regulatory asset or liability and do not impact net income.

The following table presents changes in the Level 3 category of derivative assets and derivative liabilities measured at fair value on a recurring basis. The derivative assets and liabilities are presented on a net basis.

| **CL&P** *(Millions of Dollars)* | **For the Years Ended December 31,** | |
|---|---|---|
| | **2023** | **2022** |
| Derivatives, Net: | | |
| Fair Value as of Beginning of Period | $ (181.8) | $ (249.2) |
| Net Realized/Unrealized (Losses)/Gains Included in Regulatory Assets | (3.9) | 10.1 |
| Settlements | 64.8 | 57.3 |
| Transfers out of Level 3 [(1)] | 120.9 | — |
| Fair Value as of End of Period | $ — | $ (181.8) |

[(1)] Transfers out of Level 3 pertain to certain significant valuation inputs becoming observable as well as certain unobservable inputs no longer being significant to the fair value of the derivative contracts. Eversource's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period.

## 5. MARKETABLE SECURITIES

Eversource's marketable securities include the CYAPC and YAEC legally restricted trusts that each hold equity and available-for-sale debt securities to fund the spent nuclear fuel removal obligations of their nuclear fuel storage facilities. Eversource also holds trusts that are not subject to regulatory oversight by state or federal agencies that are primarily used to fund certain non-qualified executive benefits. The marketable securities within these non-qualified executive benefit trusts were sold in 2023. Equity and available-for-sale debt marketable securities are recorded at fair value, with the current portion recorded in Prepayments and Other Current Assets and the long-term portion recorded in Marketable Securities on the balance sheets.

*Equity Securities:* Unrealized gains and losses on equity securities held in Eversource's trusts are recorded in Other Income, Net on the statements of income. The fair value of these equity securities as of December 31, 2023 and 2022 was $3.3 million and $20.0 million, respectively. Eversource' s non-qualified executive benefits equity securities were sold during 2023 and resulted in a $1.1 million gain recorded in Other Income, Net for the year ended December 31, 2023. For the years ended December 31, 2022 and 2021, there were unrealized losses of $9.7 million and unrealized gains of $4.4 million recorded in Other Income, Net related to these equity securities, respectively.

Eversource's equity securities also include CYAPC's and YAEC's marketable securities held in spent nuclear fuel trusts, which had fair values of $173.6 million and $170.1 million as of December 31, 2023 and 2022, respectively. Unrealized gains and losses for these spent nuclear fuel trusts are subject to regulatory accounting treatment and are recorded in long-term Marketable Securities with the corresponding offset to long-term liabilities on the balance sheets, with no impact on the statements of income.

*Available-for-Sale Debt Securities:* The following is a summary of the available-for-sale debt securities:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| **Eversource** *(Millions of Dollars)* | **Amortized Cost** | **Pre-Tax Unrealized Gains** | **Pre-Tax Unrealized Losses** | **Fair Value** | **Amortized Cost** | **Pre-Tax Unrealized Gains** | **Pre-Tax Unrealized Losses** | **Fair Value** |
| Debt Securities | $ 169.5 | $ 1.4 | $ (6.6) | $ 164.3 | $ 201.6 | $ 0.1 | $ (16.2) | $ 185.5 |

Unrealized gains and losses on available-for-sale debt securities held in Eversource's non-qualified executive benefit trust are recorded in Accumulated Other Comprehensive Income, excluding amounts related to credit losses or losses on securities intended to be sold, which are recorded in Other Income, Net. These debt securities were sold during 2023 and resulted in $1.2 million of realized losses for the year ended December 31, 2023 that were reclassified out of Accumulated Other Comprehensive Income and recorded in Other Income, Net. There were no credit losses for the years ended December 31, 2023 and 2022, and no allowance for credit losses as of December 31, 2023. Factors considered in determining whether a credit loss exists include adverse conditions specifically affecting the issuer, the payment history, ratings and rating changes of the security, and the severity of the impairment. For asset-backed debt securities, underlying collateral and expected future cash flows are also evaluated. Debt securities included in Eversource's non-qualified benefit trust portfolio were investment-grade bonds with a lower default risk based on their credit quality.

Eversource's debt securities also include CYAPC's and YAEC's marketable securities held in spent nuclear fuel trusts in the amounts of $164.3 million and $163.2 million as of December 31, 2023 and 2022, respectively. Unrealized gains and losses for available-for-sale debt securities included in the CYAPC and YAEC spent nuclear fuel trusts are subject to regulatory accounting treatment and are recorded in Marketable Securities with the corresponding offset to long-term liabilities on the balance sheets, with no impact on the statements of income. Pre-tax unrealized gains and losses as of December 31, 2023 and 2022 primarily relate to the debt securities included in CYAPC's and YAEC's spent nuclear fuel trusts.

CYAPC and YAEC’s spent nuclear fuel trusts are restricted and are classified in long-term Marketable Securities on the balance sheets.

As of December 31, 2023, the contractual maturities of available-for-sale debt securities were as follows:

| **Eversource** *(Millions of Dollars)* | **Amortized Cost** | **Fair Value** |
|---|---|---|
| Less than one year | $ 15.9 | $ 15.9 |
| One to five years | 30.9 | 30.9 |
| Six to ten years | 38.1 | 37.8 |
| Greater than ten years | 84.6 | 79.7 |
| Total Debt Securities | $ 169.5 | $ 164.3 |

*Realized Gains and Losses:* Realized gains and losses are recorded in Other Income, Net for Eversource's benefit trust and are offset in long-term liabilities for CYAPC and YAEC. Eversource utilizes the specific identification basis method for the Eversource non-qualified benefit trust, and the average cost basis method for the CYAPC and YAEC spent nuclear fuel trusts to compute the realized gains and losses on the sale of marketable securities.

*Fair Value Measurements:* The following table presents the marketable securities recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

| **Eversource** *(Millions of Dollars)* | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Level 1: | | |
| Mutual Funds and Equities | $ 176.9 | $ 190.1 |
| Money Market Funds | 13.7 | 25.4 |
| Total Level 1 | $ 190.6 | $ 215.5 |
| Level 2: | | |
| U.S. Government Issued Debt Securities (Agency and Treasury) | $ 90.1 | $ 82.3 |
| Corporate Debt Securities | 34.0 | 46.1 |
| Asset-Backed Debt Securities | 5.6 | 8.6 |
| Municipal Bonds | 9.8 | 12.7 |
| Other Fixed Income Securities | 11.1 | 10.4 |
| Total Level 2 | $ 150.6 | $ 160.1 |
| Total Marketable Securities | $ 341.2 | $ 375.6 |

U.S. government issued debt securities are valued using market approaches that incorporate transactions for the same or similar bonds and adjustments for yields and maturity dates. Corporate debt securities are valued using a market approach, utilizing recent trades of the same or similar instruments and also incorporating yield curves, credit spreads and specific bond terms and conditions. Asset-backed debt securities include collateralized mortgage obligations, commercial mortgage backed securities, and securities collateralized by auto loans, credit card loans or receivables. Asset-backed debt securities are valued using recent trades of similar instruments, prepayment assumptions, yield curves, issuance and maturity dates, and tranche information. Municipal bonds are valued using a market approach that incorporates reported trades and benchmark yields. Other fixed income securities are valued using pricing models, quoted prices of securities with similar characteristics, and discounted cash flows.

## 6. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in entities that are not consolidated are included in long-term assets on the balance sheets and earnings impacts from these equity investments are included in Other Income, Net on the statements of income. Eversource's investments included the following:

| *(Millions of Dollars)* | Ownership Interest | Investment Balance as of December 31, 2023 | Investment Balance as of December 31, 2022 |
|---|---|---|---|
| Offshore Wind Business | 50% - 100% | $ 515.5 | $ 1,947.1 |
| Natural Gas Pipeline - Algonquin Gas Transmission, LLC | 15% | 116.0 | 118.8 |
| Renewable Energy Investment Fund | 90% | — | 84.1 |
| Other | various | 29.0 | 26.1 |
| Total Investments in Unconsolidated Affiliates | | $ 660.5 | $ 2,176.1 |

For the years ended December 31, 2023, 2022 and 2021, Eversource had equity in earnings of unconsolidated affiliates of $15.5 million, $22.9 million, and $14.2 million, respectively. Eversource received dividends from its equity method investees (excluding proceeds received from sale or liquidation of investments) of $20.1 million, $26.2 million, and $21.6 million, respectively, for the years ended December 31, 2023, 2022 and 2021.

Investments in affiliates where Eversource has the ability to exercise significant influence, but not control, over an investee are initially recognized as an equity method investment at cost. Eversource’s offshore wind investments, which include 50 percent ownership interests in two offshore wind joint ventures and a 100 percent ownership in a tax equity investment, do not represent controlling financial interests. Eversource’s offshore wind investments, its share of the natural gas pipeline and other investments included in the table above are accounted for under the equity method.

*Offshore Wind Business:*Eversource’ s offshore wind business includes 50 percent ownership interests in each of North East Offshore and South Fork Class B Member, LLC, which collectively hold three offshore wind projects. North East Offshore holds the Revolution Wind project and the Sunrise Wind project. South Fork Class B Member, LLC holds the South Fork Wind project. Eversource’s offshore wind business also includes a noncontrolling tax equity investment in South Fork Wind through a 100 percent ownership in South Fork Wind Holdings, LLC Class Ashares. The offshore wind projects are being developed and constructed through joint and equal partnerships with Ørsted.

*Expected Sales of Offshore Wind Investments:* On May 25, 2023, Eversource announced that it had completed a strategic review of its offshore wind investments and determined that it would pursue the sale of its offshore wind investments. On September 7, 2023, Eversource completed the sale of its 50 percent interest in an uncommitted lease area consisting of approximately 175,000 developable acres located 25 miles off the south coast of Massachusetts to Ørsted for $625 million in an all-cash transaction.

In September of 2023, Eversource made a contribution of $528 million using the proceeds from the lease area sale to invest in a tax equity interest for South Fork Wind. South Fork Wind was restructured as a tax equity investment, with Eversource purchasing 100 percent ownership of a new Class A tax equity membership interest. As a result of this investment, Eversource expects to receive investment tax credits after the turbines are placed in service for South Fork Wind and meet the requirements to qualify for the ITC. These credits will be utilized to reduce Eversource's federal tax liability or generate tax refunds over the next 24 months. All of South Fork Wind's twelve turbines are expected to be installed and placed into service by the end of March 2024.

On January 24, 2024, Ørsted signed an agreement with Eversource to acquire Eversource's 50 percent share of Sunrise Wind. The sale is subject to the successful selection of Sunrise Wind in the ongoing New York fourth solicitation for offshore wind capacity, signing of an OREC contract with NYSERDA, finalization of sale agreements, receipt of final federal construction permits, and relevant regulatory approvals. If Sunrise Wind is not successful in the solicitation, then the existing OREC contract for Sunrise Wind will be cancelled according to the state's requirements, and Eversource and Ørsted's joint venture for Sunrise Wind will remain in place. In that scenario, Ørsted and Eversource would then assess their options in determining the best path forward for Sunrise Wind and its assets, which include the BOEM offshore lease area. If Sunrise Wind's revised bid is successful in the new solicitation, Sunrise Wind would have 90 days to negotiate a new OREC agreement at the re-bid price. In a successful re-bid, Ørsted would become the sole owner of Sunrise Wind, while Eversource would remain contracted to lead the project's onshore construction. If Sunrise Wind is successful in the re-bid, Ørsted would pay Eversource 50 percent of the negotiated purchase price upon closing the sale transaction, with the remaining 50 percent paid when onshore construction is completed and certain other milestones are achieved. On January 25, 2024, Eversource and Ørsted submitted a new proposal for Sunrise Wind in the New York fourth offshore wind solicitation.

On February 13, 2024, Eversource announced that it has executed an agreement to sell its existing 50 percent interests in the South Fork Wind and Revolution Wind projects to Global Infrastructure Partners (GIP). As part of this transaction, Eversource expects to receive approximately $1.1 billion of cash proceeds upon closing, which includes the sales value related to the 10 percent energy community ITC adder of approximately $170 million related to Revolution Wind, and to exit these projects while retaining certain cost sharing obligations for the construction of Revolution Wind. The purchase price is subject to future post-closing adjustment payments based on, among other things, the progress, timing and expense of construction at each project. The cost sharing obligations provide that Eversource would share equally with GIP in GIP's funding obligations for up to approximately $240 million of incremental capital expenditure overruns incurred during the construction phase for the Revolution Wind project, after which GIP's obligations for any additional capital expenditure overruns would be shared equally by Eversource and Ørsted. Additionally, Eversource's financial exposure will be adjusted by certain purchase price adjustments to be made following commercial operation of the Revolution Wind project and closing of South Fork as a result of final project economics, which includes Eversource's obligation to maintain GIP's internal rate of return for each project as specified in the agreement. Eversource currently expects that South Fork Wind will reach full commercial operation prior to closing of the sale with GIP and Eversource does not expect any material cost sharing or other purchase price adjustment payments for South Fork Wind.

Factors that could result in Eversource's total net proceeds from the transaction to be lower or higher include Revolution Wind's eligibility for federal investment tax credits at other than the anticipated 40 percent level; the ultimate cost of construction and extent of cost overruns for Revolution Wind; delays in constructing Revolution Wind, which would impact the economics associated with the purchase price adjustment; and a benefit due to Eversource if there are lower operation costs or higher availability of the projects through the period that is four years following the commercial operation date of the Revolution Wind project.

Closing a transaction with GIP would be subject to customary conditions, including certain regulatory approvals under the Hart Scott Rodino Act and by the New York Public Service Commission and the FERC, as well as other conditions, among which is the completion and execution of the partnership agreements between GIP and Ørsted that will govern GIP's new ownership interest in those projects following Eversource's divestiture. Closing of the transaction is currently expected to occur in mid-2024. If closing of the sale is delayed, additional capital contributions made by Eversource would be recovered in the sales price. Under the agreement, Eversource's existing credit support obligations are expected to roll off for each project around the time that each project completes its expected capital spend.

*Impairment:* Equity method investments are assessed for impairment when conditions exist as of the balance sheet date that indicate that the fair value of the investment may be less than book value. Eversource continually monitors and evaluates its equity method investments to determine if there are indicators of an other-than-temporary impairment. If the decline in value is considered to be other-than-temporary, the investment is written down to its estimated fair value, which establishes a new cost basis in the investment. Subsequent declines or recoveries after the reporting date are not considered in the impairment recognized. Investments that are other-than-temporarily impaired and written down to their estimated fair value cannot subsequently be written back up for increases in estimated fair value. Impairment evaluations involve a significant degree of judgment and estimation, including identifying circumstances that indicate an impairment may exist at the equity method investment level, selecting discount rates used to determine fair values, and developing an estimate of discounted future cash flows expected from investment operations or the sale of the investment.

In connection with the process to divest its offshore wind business, Eversource identified indicators for impairment in both the second and fourth quarters of 2023. In each impairment assessment, Eversource evaluated its investments and determined that the carrying value of the equity method offshore wind investments exceeded the fair value of the investments and that the decline in fair value was other-than-temporary. The completion of the strategic review in the second quarter of 2023 resulted in Eversource recording a pre-tax other-than-temporary impairment charge of $401 million ($331 million after-tax) to reflect the investment at estimated fair value based on the expected sales price at that time. This established a new cost basis in the investments. Negative developments in the fourth quarter of 2023, including a lower expected sales price, additional projected construction cost increases, and the October 2023 OREC pricing denial for Sunrise Wind, resulted in Eversource conducting an impairment evaluation and recognizing an additional pre-tax other-than-temporary impairment charge of $1.77 billion ($1.62 billion after-tax) and establishing a new cost basis in the investments as of December 31, 2023. The Eversource statement of income reflects a total pre-tax other-than-temporary impairment charge of $2.17 billion ($1.95 billion after-tax) in its offshore wind investments for the year ended 2023.

The impairment evaluations involved judgments in developing the estimates and timing of the future cash flows arising from the expected sales price of Eversource's 50 percent interest in the wind projects, including expected sales value from investment tax credit adder amounts, less estimated costs to sell, and uncertainties related to the Sunrise Wind re-bid process in New York's offshore wind solicitation. Additional assumptions in the fourth quarter assessment included revised projected construction costs and estimated project cost overruns, estimated termination costs, salvage values of Sunrise Wind assets, and the value of the tax equity ownership interest. The assumptions used in the discounted cash flow analyses are subject to inherent uncertainties and subjectivity. The use of different assumptions, estimates, or judgments with respect to the estimation of future cash flows could materially change the impairment charges. The impairment evaluations were based on best information available at the impairment assessment dates. New information from events or circumstances arising after the balance sheet date, such as the January 25, 2024 re-bid of Sunrise Wind in the New York solicitation, are not included in the December 31, 2023 impairment evaluation. All significant inputs into the impairment evaluations were Level 3 fair value measurements.

The expected cash flows arising from the anticipated sales are a significant input in the impairment evaluation. In the fourth quarter of 2023, project construction forecasts were updated, and these new forecasts reflected additional expenditures for construction and scheduling related pressures, including the availability and increased cost of installation vessels and supply chain cost increases related to foundation fabrication. In determining the current fair value of the investments, these updated projections exceeded the previously estimated projections for construction expenditures, which resulted in a revised sales price that was significantly lower than the previous bid value. Another significant assumption in the impairment evaluation includes the probability of payment of future cost overruns on the three wind projects through each project's respective commercial operation date, which would not be recovered in the expected sales price. This assumption was based on construction projections updated in the fourth quarter of 2023 exceeding prior estimates. An increase in expected cost overruns could result in a significant impairment in a future period.

Another key assumption in the impairment model of our offshore wind investments was investment tax credit ("ITC") adders that were included in the Inflation Reduction Act and were a separate part of the sales price value offered by GIP. An ITC adder is an additional 10 percent of credit value for ITC eligible costs and include two distinct qualifications related to either using domestic sourced materials (domestic content) or construction of an onshore substation in a designated community (energy community). Similar to the base ITC of 30 percent of the eligible costs, any ITC adders generated would be used to reduce an owner's federal tax liability and could be used to receive tax refunds from prior years as well. Management believes there is a high likelihood that the 10 percent energy community ITC adder is realizable, and that ITC adder would amount to approximately $170 million of additional sales value related to Revolution Wind and that it would qualify for the ITC adder after it reaches commercial operation in 2025. Although management believes the ITC adder value is realizable, there is some uncertainty at this time as to whether or not those ITC adders can be achieved, and management continues to evaluate the project's qualifications and to monitor guidance issued by the United States Treasury Department. A change in the expected value or qualification of ITC adders could result in a significant impairment in a future period.

Another fourth quarter 2023 development included in the impairment evaluation is the key judgment regarding the probability of future cash inflows and outflows associated with the sale or abandonment of the Sunrise Wind project and the expected outcome of the New York fourth offshore wind solicitation in 2024. In June 2023, Sunrise Wind filed a petition with the New York State Public Service Commission for an order authorizing NYSERDA to amend the Sunrise Wind OREC contract to increase the contract price to cover increased costs and inflation. At that time, management expected the contract repricing would be successful given NYSERDA's public support for pricing adjustments. On October 12, 2023, the New York State Public Service Commission denied this petition. Subsequent to the denial, on November 30, 2023, the general terms of an expedited offshore wind renewable energy solicitation in New York were released. A primary condition for Sunrise Wind to participate in this new solicitation was to agree to terminate its existing OREC agreement. As of December 31, 2023, Eversource and Ørsted were considering whether to submit a new bid for Sunrise Wind, the price at which a new bid would be made, and the probability of success in the new bidding process. The December 31, 2023 impairment evaluation included management's judgment of the likelihood of possible future scenarios that included the Sunrise Wind project continuing with its existing OREC contract, the project re-bidding and being selected in the new solicitation, the project re-bidding and not being selected, or the project not moving forward. The unfavorable development of the October 2023 denial of the OREC pricing petition, management's assessment of the likelihood of success in the competitive New York re-bidding process, and the increased costs to build the project, have resulted in management's assumption that the Sunrise Wind project will ultimately be abandoned, and therefore, no sales value was modeled in the impairment evaluation. Additionally, in the abandonment assumption, management has assumed the loss of contingent sales value associated with any related ITC adders and has estimated future cash outflows for Eversource's share of cancellation costs required under Sunrise Wind's supplier contracts, partially offset by expected salvage value and expected cost overruns not incurred in the case of abandonment that are included in the fourth quarter 2023 impairment charge. An increase in expected cancellation costs could result in a significant impairment in a future period.

A summary of the significant estimates and assumptions included in the 2023 impairment charges is as follows:

| *(Millions of Dollars)* | Second Quarter 2023 | Fourth Quarter 2023 | Total |
|---|---|---|---|
| Lower expected sales proceeds across all three wind projects | $ 401 | $ 525 | $ 926 |
| Expected cost overruns not recovered in the sales price | — | 441 | 441 |
| Loss of sales value from the sale price offered by GIP, including loss of ITC adders value, cancellation costs and other impacts assuming Sunrise Wind project is abandoned | — | 800 | 800 |
| Impairment Charges, pre-tax | 401 | 1,766 | 2,167 |
| Tax Benefit | (70) | (144) | (214) |
| Impairment Charges, after-tax | $ 331 | $ 1,622 | 1,953 |

A summary of the carrying value by investee and by project as of December 31, 2023 is as follows:

| | Investments Expected to be Disposed of | | | Investment to be Held | |
|---|---|---|---|---|---|
| | North East Offshore | | | | |
| *(Millions of Dollars)* | Sunrise Wind | Revolution Wind | South Fork Class B Member, LLC | South Fork Wind Holdings, LLC Class A | Total Offshore Wind Investments |
| Carrying Value as of December 31, 2023, before Impairment Charge | $ 699 | $ 799 | $ 299 | $ 485 | $ 2,282 |
| Fourth Quarter 2023 Impairment Charge | (1,218) | (544) | — | (4) | (1,766) |
| Carrying Value as of December 31, 2023 | $ (519) | $ 255 | $ 299 | $ 481 | $ 516 |

Management will continue to monitor and evaluate all facts and circumstances in the offshore wind sales process and the impact on its investment balance. Adverse changes in facts and circumstances of estimates and timing of future cash flows and the factors described above could result in the recognition of additional, significant impairment charges that could be material to the financial statements.

The impairment charge was a non-cash charge and did not impact Eversource's cash position. Eversource will continue to make future cash expenditures for required cash contributions to its offshore wind investments up to the time of disposition of each of the offshore wind projects. Capital contributions are expected until the sales are completed and changes in the timing and amounts of these contributions would be adjusted in the sales prices and therefore not result in an additional impairment charge. Proceeds from the transactions will be used to pay off parent company debt. Eversource's offshore wind investments do not meet the criteria to qualify for presentation as a discontinued operation.

Capital contributions in the offshore wind investments, including the 2023 contribution for the tax equity investment in South Fork Wind, are included in Investments in Unconsolidated Affiliates on the statements of cash flows. Proceeds received from the 2023 sale of the uncommitted lease area and from an October 2023 distribution of $318 million received primarily as a result of being a 50 percent joint owner in the Class B shares of South Fork Wind which was restructured as a tax equity investment, are included in Proceeds from Unconsolidated Affiliates on the statement of cash flows.

As of December 31, 2023, Eversource's share of underlying equity in net assets of the offshore wind business exceeded the carrying amount of the offshore wind investments as a result of the 2023 impairments. As of December 31, 2022, the carrying amount of Eversource's offshore wind investments exceeded its share of underlying equity in net assets by $343.1 million. The basis differences as of December 31, 2022 were primarily comprised of $168.9 million of equity method goodwill that was not being amortized, intangible assets for PPAs, and capitalized interest.

*Liquidation of Renewable Energy Investment Fund:* On March 21, 2023, Eversource's equity method investment in a renewable energy investment fund was liquidated by the fund's general partner in accordance with the partnership agreement. Proceeds received from the liquidation totaled $147.6 million and are included in Proceeds from Unconsolidated Affiliates on the statement of cash flows for the year ended December 31, 2023. A portion of the proceeds was used to make a charitable contribution to the Eversource Energy Foundation (a related party) of $20.0 million in 2023. The liquidation benefit received in excess of the investment's carrying value and the charitable contribution are included in Other Income, Net on the statement of income.

*NSTAR Electric:* As of December 31, 2023 and 2022, NSTAR Electric's investments included a 14.5 percent ownership interest in two companies that transmit hydro-electricity imported from the Hydro-Quebec system in Canada of $9.6 million and $9.3 million, respectively.

## 7. ASSET RETIREMENT OBLIGATIONS

Eversource, including CL&P, NSTAR Electric and PSNH, recognizes a liability for the fair value of an ARO on the obligation date if the liability's fair value can be reasonably estimated, even if it is conditional on a future event. Settlement dates and future costs are reasonably estimated when sufficient information becomes available. Management has identified various categories of AROs, primarily CYAPC's and YAEC's obligation to dispose of spent nuclear fuel and high level waste, and also certain assets containing asbestos and hazardous contamination. Management has performed fair value calculations reflecting expected probabilities for settlement scenarios.

The fair value of an ARO is recorded as a long-term liability with a corresponding amount included in Property, Plant and Equipment, Net on the balance sheets. The ARO assets are depreciated, and the ARO liabilities are accreted over the estimated life of the obligation and the corresponding credits are recorded as accumulated depreciation and ARO liabilities, respectively. As the electric and natural gas companies are rate-regulated on a cost-of-service basis, these companies apply regulatory accounting guidance and both the depreciation and accretion costs associated with these companies' AROs are recorded as increases to Regulatory Assets on the balance sheets.

A reconciliation of the beginning and ending carrying amounts of ARO liabilities is as follows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Balance as of Beginning of Year | $ 502.7 | $ 37.4 | $ 101.3 | $ 4.9 | $ 500.1 | $ 35.0 | $ 97.5 | $ 4.7 |
| Liabilities Settled During the Year | (24.9) | — | — | — | (22.3) | — | — | — |
| Accretion | 29.2 | 2.5 | 4.3 | 0.3 | 28.9 | 2.4 | 4.1 | 0.2 |
| Revisions in Estimated Cash Flows | (1.2) | — | (0.8) | — | (4.0) | — | (0.3) | — |
| Balance as of End of Year | $ 505.8 | $ 39.9 | $ 104.8 | $ 5.2 | $ 502.7 | $ 37.4 | $ 101.3 | $ 4.9 |

Eversource's amounts include CYAPC and YAEC's AROs of $315.8 million and $320.5 million as of December 31, 2023 and 2022, respectively. The fair value of the ARO for CYAPC and YAEC includes uncertainties of the fuel off-load dates related to the DOE's timing of performance regarding its obligation to dispose of the spent nuclear fuel and high level waste and other assumptions, including discount rates. The incremental asset recorded as an offset to the ARO liability was fully depreciated since the plants have no remaining useful life. Any changes in the ARO liability are recorded with a corresponding offset to the related regulatory asset. The assets held in the CYAPC and YAEC spent nuclear fuel trusts are restricted for settling the ARO and all other nuclear fuel storage obligations. For further information on the assets held in the spent nuclear fuel trusts, see Note 5, "Marketable Securities," to the financial statements.

## 8. SHORT-TERM DEBT

*Short-Term Debt - Borrowing Limits:* The amount of short-term borrowings that may be incurred by CL&P and NSTAR Electric is subject to periodic approval by the FERC. Because the NHPUC has jurisdiction over PSNH's short-term debt, PSNH is not currently required to obtain FERC approval for its short-term borrowings. On November 30, 2023, the FERC granted authorization that allows CL&P to issue total short-term borrowings in an aggregate principal amount not to exceed $600 million outstanding at any one time, through December 31, 2025. On December 18, 2023, the FERC granted authorization that allows NSTAR Electric to issue total short-term borrowings in an aggregate principal amount not to exceed $655 million outstanding at any one time, through December 31, 2025.

PSNH is authorized by regulation of the NHPUC to incur short-term borrowings up to 10 percent of net fixed plant plus an additional $60 million until further ordered by the NHPUC. As of December 31, 2023, PSNH's short-term debt authorization under the 10 percent of net fixed plant test plus $60 million totaled $483.2 million.

CL&P's certificate of incorporation contains preferred stock provisions restricting the amount of unsecured debt that CL&P may incur, including limiting unsecured indebtedness with a maturity of less than 10 years to 10 percent of total capitalization. As of December 31, 2023, CL&P had $625.7 million of unsecured debt capacity available under this authorization.

Yankee Gas, NSTAR Gas and EGMA are not required to obtain approval from any state or federal authority to incur short-term debt.

*Short-Term Debt - Commercial Paper Programs and Credit Agreements*: Eversource parent has a $2.00 billion commercial paper program allowing Eversource parent to issue commercial paper as a form of short-term debt. Eversource parent, CL&P, PSNH, NSTAR Gas, Yankee Gas, EGMAand Aquarion Water Company of Connecticut are parties to a five-year $2.00 billion revolving credit facility, which terminates on October 13, 2028. Thisre volving credit facility serves to backstop Eversource parent's $2.00 billion commercial paper program.

NSTAR Electric has a $650 million commercial paper program allowing NSTAR Electric to issue commercial paper as a form of short-term debt. NSTAR Electric is also a party to a five-year $650 million revolving credit facility, which terminates on October 13, 2028, and serves to backstop NSTAR Electric's $650 million commercial paper program.

The amount of borrowings outstanding and available under the commercial paper programs were as follows:

| | Borrowings Outstanding as of December 31, | | Available Borrowing Capacity as of December 31, | | Weighted-Average Interest Rate as of December 31, | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Eversource Parent Commercial Paper Program | $ 1,771.9 | $ 1,442.2 | $ 228.1 | $ 557.8 | 5.60 % | 4.63 % |
| NSTAR Electric Commercial Paper Program | 365.8 | — | 284.2 | 650.0 | 5.40 % | — % |

There were no borrowings outstanding on the revolving credit facilities as of December 31, 2023 or 2022.

CL&P and PSNH have uncommitted line of credit agreements totaling $375 million and $250 million, respectively, which will expire in 2024. There are no borrowings outstanding on either the CL&P or PSNH uncommitted line of credit agreements as of December 31, 2023.

Amounts outstanding under the commercial paper programs are included in Notes Payable and classified in current liabilities on the Eversource and NSTAR Electric balance sheets, as all borrowings are outstanding for no more than 364 days at one time. As a result of the CL&P long-term debt issuance in January 2024, $207.3 million of commercial paper borrowings under the Eversource parent commercial paper program were reclassified as Long-Term Debt on Eversource parent’s balance sheet as of December 31, 2023.

Under the credit facilities described above, Eversource and its subsidiaries, including CL&P, NSTAR Electric, PSNH, NSTAR Gas, EGMA, Yankee Gas, and Aquarion Water Company of Connecticut, must comply with certain financial and non-financial covenants, including a consolidated debt to total capitalization ratio. As of December 31, 2023 and 2022, Eversource and its subsidiaries were in compliance with these covenants. If Eversource or its subsidiaries were not in compliance with these covenants, an event of default would occur requiring all outstanding borrowings by such borrower to be repaid, and additional borrowings by such borrower would not be permitted under its respective credit facility.

*Intercompany Borrowings:* Eversource parent uses its available capital resources to provide loans to its subsidiaries to assist in meeting their short-term borrowing needs. Eversource parent records intercompany interest income from its loans to subsidiaries, which is eliminated in consolidation. Intercompany loans from Eversource parent to its subsidiaries are eliminated in consolidation on Eversource's balance sheets. As of December 31, 2023, there were intercompany loans from Eversource parent to CL&Pof $457.0 million and to PSNH of $233.0 million. As of December 31, 2022, there were intercompany loans from Eversource parent to PSNH of $173.3 million. Eversource parent charges interest on these intercompany loans at the same weighted-average interest rate as its commercial paper program. Intercompany loans from Eversource parent are included in Notes Payable to Eversource parent and classified in current liabilities on the respective subsidiary's balance sheets, as these intercompany borrowings are outstanding for no more than 364 days at one time. As a result of the CL&P long-term debt issuance in January 2024, $207.3 million of CL&P’s intercompany borrowings were reclassified to Long-Term Debt on CL&P’s balance sheet as of December 31, 2023.

*Sources and Uses of Cash*: The Company expects the future operating cash flows of Eversource, CL&P, NSTAR Electric and PSNH, along with existing borrowing availability and access to both debt and equity markets, will be sufficient to meet any working capital and future operating requirements, and capital investment forecasted opportunities.

## 9. LONG-TERM DEBT

Details of long-term debt outstanding are as follows:

| **CL&P** *(Millions of Dollars)* | **Interest Rate** | **As of December 31, 2023** | **2022** |
|---|---|---|---|
| First Mortgage Bonds: | | | |
| 1994 Series D due 2024 | 7.875 % | $ 139.8 | $ 139.8 |
| 2004 Series B due 2034 | 5.750 % | 130.0 | 130.0 |
| 2005 Series B due 2035 | 5.625 % | 100.0 | 100.0 |
| 2006 Series A due 2036 | 6.350 % | 250.0 | 250.0 |
| 2007 Series B due 2037 | 5.750 % | 150.0 | 150.0 |
| 2007 Series D due 2037 | 6.375 % | 100.0 | 100.0 |
| 2013 Series A due 2023 | 2.500 % | — | 400.0 |
| 2014 Series A due 2044 | 4.300 % | 475.0 | 475.0 |
| 2015 Series A due 2045 | 4.150 % | 350.0 | 350.0 |
| 2017 Series A due 2027 | 3.200 % | 500.0 | 500.0 |
| 2018 Series A due 2048 | 4.000 % | 800.0 | 800.0 |
| 2020 Series A due 2025 | 0.750 % | 400.0 | 400.0 |
| 2021 Series A due 2031 | 2.050 % | 425.0 | 425.0 |
| 2023 Series A due 2053 | 5.250 % | 500.0 | — |
| 2023 Series B due 2033 | 4.900 % | 300.0 | — |
| Total First Mortgage Bonds | | 4,619.8 | 4,219.8 |
| Less Amounts due Within One Year | | (139.8) | (400.0) |
| Current Portion Classified as Long-Term Debt [(1)] | | 139.8 | 400.0 |
| Commercial Paper Classified as Long-Term Debt (See Note 8, Short-Term Debt) | | 207.3 | — |
| Unamortized Premiums and Discounts, Net | | 18.0 | 21.5 |
| Unamortized Debt Issuance Costs | | (30.7) | (24.8) |
| CL&P Long-Term Debt | | $ 4,814.4 | $ 4,216.5 |

| **NSTAR Electric** *(Millions of Dollars)* | **Interest Rate** | **As of December 31, 2023** | **2022** |
|---|---|---|---|
| Debentures: | | | |
| 2006 Debentures due 2036 | 5.750 % | $ 200.0 | $ 200.0 |
| 2010 Debentures due 2040 | 5.500 % | 300.0 | 300.0 |
| 2014 Debentures due 2044 | 4.400 % | 300.0 | 300.0 |
| 2015 Debentures due 2025 | 3.250 % | 250.0 | 250.0 |
| 2016 Debentures due 2026 | 2.700 % | 250.0 | 250.0 |
| 2017 Debentures due 2027 | 3.200 % | 700.0 | 700.0 |
| 2019 Debentures due 2029 | 3.250 % | 400.0 | 400.0 |
| 2020 Debentures due 2030 | 3.950 % | 400.0 | 400.0 |
| 2021 Debentures due 2051 | 3.100 % | 300.0 | 300.0 |
| 2021 Debentures due 2031 | 1.950 % | 300.0 | 300.0 |
| 2022 Debentures due 2052 | 4.550 % | 450.0 | 450.0 |
| 2022 Debentures due 2052 | 4.950 % | 400.0 | 400.0 |
| 2023 Debentures due 2028 | 5.600 % | 150.0 | — |
| Total Debentures | | 4,400.0 | 4,250.0 |
| Notes: | | | |
| 2004 Senior Notes Series B due 2034 | 5.900 % | 50.0 | 50.0 |
| 2007 Senior Notes Series D due 2037 | 6.700 % | 40.0 | 40.0 |
| 2013 Senior Notes Series G due 2023 | 3.880 % | — | 80.0 |
| 2016 Senior Notes Series H due 2026 | 2.750 % | 50.0 | 50.0 |
| Total Notes | | 140.0 | 220.0 |
| Less Amounts due Within One Year | | — | (80.0) |
| Unamortized Premiums and Discounts, Net | | (14.0) | (14.8) |
| Unamortized Debt Issuance Costs | | (29.1) | (30.1) |
| NSTAR Electric Long-Term Debt | | $ 4,496.9 | $ 4,345.1 |

| **PSNH** *(Millions of Dollars)* | **Interest Rate** | **As of December 31, 2023** | **2022** |
|---|---|---|---|
| First Mortgage Bonds: | | | |
| 2005 Series M due 2035 | 5.600 % | $ 50.0 | $ 50.0 |
| 2013 Series S due 2023 | 3.500 % | — | 325.0 |
| 2019 Series T due 2049 | 3.600 % | 300.0 | 300.0 |
| 2020 Series U due 2050 | 2.400 % | 150.0 | 150.0 |
| 2021 Series V due 2031 | 2.200 % | 350.0 | 350.0 |
| 2023 Series W due 2053 | 5.150 % | 300.0 | — |
| 2023 Series X due 2033 | 5.350 % | 300.0 | — |
| Total First Mortgage Bonds | | 1,450.0 | 1,175.0 |
| Less Amounts due Within One Year | | — | (325.0) |
| Current Portion Classified as Long-Term Debt (1) | | — | 295.3 |
| Unamortized Premiums and Discounts, Net | | (4.9) | (2.5) |
| Unamortized Debt Issuance Costs | | (13.5) | (7.9) |
| PSNH Long-Term Debt | | $ 1,431.6 | $ 1,134.9 |

| **OTHER** *(Millions of Dollars)* | **Interest Rate** | **As of December 31, 2023** | **2022** |
|---|---|---|---|
| Eversource Parent - Senior Notes due 2024 - 2050 | 0.800 % - 5.950% | $ 10,300.0 | $ 8,150.0 |
| Yankee Gas - First Mortgage Bonds due 2024 - 2051 | 1.380 % - 5.510% | 1,015.0 | 845.0 |
| NSTAR Gas - First Mortgage Bonds due 2025 - 2051 | 2.250 % - 7.110% | 705.0 | 705.0 |
| EGMA - First Mortgage Bonds due 2028 - 2052 | 2.110 % - 5.730% | 708.0 | 650.0 |
| Aquarion - Senior Notes due 2024 | 4.000% | 360.0 | 360.0 |
| Aquarion - Unsecured Notes due 2028 - 2052 | 3.000 % - 6.430% | 527.0 | 464.7 |
| Aquarion - Secured Debt due 2027 - 2044 | 1.550 % - 9.290% | 39.0 | 34.4 |
| Pre-1983 Spent Nuclear Fuel Obligation (CYAPC) | | 12.5 | 11.9 |
| Fair Value Adjustment (2) | | 19.3 | 26.2 |
| Less Fair Value Adjustment - Current Portion (2) | | (5.5) | (7.0) |
| Less Amounts due in One Year | | (1,810.2) | (1,203.4) |
| Current Portion Classified as Long-Term Debt (1) | | 990.9 | — |
| Unamortized Premiums and Discounts, Net | | 49.7 | 40.1 |
| Unamortized Debt Issuance Costs | | (65.0) | (49.4) |
| Total Other Long-Term Debt | | $ 12,845.7 | $ 10,027.5 |
| | | | |
| Total Eversource Long-Term Debt | | $ 23,588.6 | $ 19,724.0 |

(1) As a result of the CL&P and Eversource parent long-term debt issuances in January 2024, $139.8 million and $990.9 million, respectively, of current portion of long-term debt were reclassified as Long-Term Debt on CL&P's and Eversource parent's balance sheets as of December 31, 2023. As a result of the CL&P and PSNH long-term debt issuances in January 2023, $400 million and $295.3 million, respectively, of current portion of long-term debt were reclassified as Long-Term Debt on CL&P's and PSNH's balance sheets as of December 31, 2022.

(2) The fair value adjustment amount is the purchase price adjustments, net of amortization, required to record long-term debt at fair value on the dates of the 2012 merger with NSTAR and the 2017 acquisition of Aquarion.

*Availability under Long-Term Debt Issuance Authorizations:* On June 14, 2022, the DPU approved NSTAR Gas' request for authorization to issue up to $325 million in long-term debt through December 31, 2024. On November 30, 2022, the PURA approved CL&P's request for authorization to issue up to $1.15 billion in long-term debt through December 31, 2024. As a result of CL&P's January 2024 long-term debt issuance, CL&P has now fully utilized this authorization. On June 7, 2023, PURAapproved Yankee Gas' request for authorization to issue up to $350 million in long-term debt through December 31, 2024. On November 21, 2023, NSTAR Electric petitioned the DPU requesting authorization to issue up to $2.4 billion in long-term debt through December 31, 2026. On February 8, 2024, the NHPUC approved PSNH's request for authorization to issue up to $300 million in long-term debt through December 31, 2024.

*Long-Term Debt Issuances and Repayments:* The following table summarizes long-term debt issuances and repayments:

| *(Millions of Dollars)* | Interest Rate | Issuance/ (Repayment) | Issue Date or Repayment Date | Maturity Date | Use of Proceeds for Issuance/ Repayment Information |
|---|---|---|---|---|---|
| CL&P 2023 Series A First Mortgage Bonds | 5.25 % | $ 500.0 | January 2023 | January 2053 | Repaid 2013 Series A Bonds at maturity and short-term debt, and paid capital expenditures and working capital |
| CL&P 2013 Series A First Mortgage Bonds | 2.50 % | (400.0) | January 2023 | January 2023 | Paid at maturity |
| CL&P 2023 Series B First Mortgage Bonds | 4.90 % | 300.0 | July 2023 | July 2033 | Repaid short-term debt, paid capital expenditures and working capital |
| CL&P 2024 Series A First Mortgage Bonds | 4.65 % | 350.0 | January 2024 | January 2029 | Repaid short-term debt, paid capital expenditures and working capital |
| NSTAR Electric 2023 Debentures | 5.60 % | 150.0 | September 2023 | October 2028 | Repaid Series G Senior Notes at maturity and short-term debt and for general corporate purposes |
| NSTAR Electric 2013 Series G Senior Notes | 3.88 % | (80.0) | November 2023 | November 2023 | Paid at maturity |
| PSNH Series W First Mortgage Bonds | 5.15 % | 300.0 | January 2023 | January 2053 | Repaid short-term debt, paid capital expenditures and working capital |
| PSNH Series X First Mortgage Bonds | 5.35 % | 300.0 | September 2023 | October 2033 | Repaid Series S Bonds at maturity and for general corporate purposes |
| PSNH Series S First Mortgage Bonds | 3.50 % | (325.0) | November 2023 | November 2023 | Paid at maturity |
| Eversource Parent Series Z Senior Notes | 5.45 % | 750.0 | March 2023 | March 2028 | Repaid Series F Senior Notes at maturity and short-term debt |
| Eversource Parent Series F Senior Notes | 2.80 % | (450.0) | May 2023 | May 2023 | Paid at maturity |
| Eversource Parent Series Z Senior Notes | 5.45 % | 550.0 | May 2023 | March 2028 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series AA Senior Notes | 4.75 % | 450.0 | May 2023 | May 2026 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series BB Senior Notes | 5.125 % | 800.0 | May 2023 | May 2033 | Repaid Series T Senior Notes and Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Variable Rate Series T Senior Notes | SOFR plus 0.25% | (350.0) | August 2023 | August 2023 | Paid at maturity |
| Eversource Parent Series CC Senior Notes | 5.95 % | 800.0 | November 2023 | February 2029 | Repaid Series N Senior Notes at maturity and short-term debt |
| Eversource Parent Series N Senior Notes | 3.80 % | (400.0) | December 2023 | December 2023 | Paid at maturity |
| Eversource Parent Series DD Senior Notes | 5.00 % | 350.0 | January 2024 | January 2027 | Repaid short-term debt |
| Eversource Parent Series EE Senior Notes | 5.50 % | 650.0 | January 2024 | January 2034 | Repaid short-term debt |
| Yankee Gas Series V First Mortgage Bonds | 5.51 % | 170.0 | August 2023 | August 2030 | Repaid short-term debt and general corporate purposes |
| EGMA Series D First Mortgage Bonds | 5.73 % | 58.0 | November 2023 | November 2028 | Repaid short-term debt, paid capital expenditures and working capital |
| Aquarion Water Company of Connecticut Senior Notes | 5.89 % | 50.0 | September 2023 | October 2043 | Repaid existing indebtedness, paid capital expenditures and general corporate purposes |

*Long-Term Debt Provisions:* The utility plant of CL&P, PSNH, Yankee Gas, NSTAR Gas, EGMA and a portion of Aquarion is subject to the lien of each company's respective first mortgage bond indenture. The Eversource parent, NSTAR Electric and a portion of Aquarion debt is unsecured. Additionally, the long-term debt agreements provide that Eversource and certain of its subsidiaries must comply with certain covenants as are customarily included in such agreements, including equity requirements for NSTAR Electric, NSTAR Gas and Aquarion. Under the equity requirements, NSTAR Electric's and Aquarion's senior notes must maintain a certain consolidated indebtedness to capitalization ratio as of the end of any fiscal quarter and NSTAR Gas' outstanding long-term debt must not exceed equity.

Certain secured and unsecured long-term debt securities are callable at redemption price or are subject to make-whole provisions.

No long-term debt defaults have occurred as of December 31, 2023.

*CYAPC's Pre-1983 Spent Nuclear Fuel Obligation:* Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. CYAPC is obligated to pay the DOE for the costs to dispose of spent nuclear fuel and high-level radioactive waste generated prior to April 7, 1983 (pre-1983 Spent Nuclear Fuel). CYAPC has partially paid this obligation and recorded an accrual for its remaining liability to the DOE. This liability accrues interest costs at the 3-month Treasury bill yield rate. For nuclear fuel used to generate electricity prior to April 7, 1983, payment may be made any time prior to the first delivery of spent fuel to the DOE. As of December 31, 2023 and 2022, as a result of consolidating CYAPC, Eversource has consolidated $12.5 million and $11.9 million, respectively, in pre-1983 spent nuclear fuel obligations to the DOE. The obligation includes accumulated interest costs of $9.5 million and $8.8 million as of December 31, 2023 and 2022, respectively. CYAPC maintains a trust to fund amounts due to the DOE for the disposal of pre-1983 spent nuclear fuel. For further information, see Note 5, "Marketable Securities," to the financial statements. Fees for disposal of nuclear fuel burned on or after April 7, 1983 were billed to member companies and paid to the DOE.

*Long-Term Debt Maturities:* Long-term debt maturities on debt outstanding for the years 2024 through 2028 and thereafter are shown below. These amounts exclude PSNH rate reduction bonds, CYAPC pre-1983 spent nuclear fuel obligation, net unamortized premiums, discounts and debt issuance costs, and other fair value adjustments as of December 31, 2023:

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| 2024 | $ 1,950.0 | $ 139.8 | $ — | $ — |
| 2025 | 1,400.2 | 400.0 | 250.0 | — |
| 2026 | 1,390.2 | — | 300.0 | — |
| 2027 | 2,539.2 | 500.0 | 700.0 | — |
| 2028 | 1,978.5 | — | 150.0 | — |
| Thereafter | 15,005.7 | 3,580.0 | 3,140.0 | 1,450.0 |
| Total | $ 24,263.8 | $ 4,619.8 | $ 4,540.0 | $ 1,450.0 |

### 10. RATE REDUCTION BONDS AND VARIABLE INTEREST ENTITIES

*Rate Reduction Bonds:* In May 2018, PSNH Funding, a wholly-owned subsidiary of PSNH, issued $635.7 million of securitized RRBs in multiple tranches with a weighted average interest rate of 3.66 percent, and final maturity dates ranging from 2026 to 2035. The RRBs are expected to be repaid by February 1, 2033. RRB payments consist of principal and interest and are paid semi-annually, beginning on February 1, 2019. The RRBs were issued pursuant to a finance order issued by the NHPUC in January 2018 to recover remaining costs resulting from the divestiture of PSNH’s generation assets.

The proceeds were used by PSNH Funding to purchase PSNH’s stranded cost asset-recovery property, including its vested property right to bill, collect and adjust a non-bypassable stranded cost recovery charge from PSNH’s retail customers. The collections are used to pay principal, interest and other costs in connection with the RRBs. The RRBs are secured by the stranded cost asset-recovery property. Cash collections from the stranded cost recovery charges and funds on deposit in trust accounts are the sole source of funds to satisfy the debt obligation. PSNH is not the owner of the RRBs, and PSNH Funding’s assets and revenues are not available to pay PSNH’s creditors. The RRBs are non-recourse senior secured obligations of PSNH Funding and are not insured or guaranteed by PSNH or Eversource Energy.

PSNH Funding was formed solely to issue RRBs to finance PSNH's unrecovered remaining costs associated with the divestiture of its generation assets. PSNH Funding is considered a VIE primarily because the equity capitalization is insufficient to support its operations. PSNH has the power to direct the significant activities of the VIE and is most closely associated with the VIE as compared to other interest holders. Therefore, PSNH is considered the primary beneficiary and consolidates PSNH Funding in its consolidated financial statements. The following tables summarize the impact of PSNH Funding on PSNH's balance sheets and income statements:

| *(Millions of Dollars)* | As of December 31, | |
|---|---|---|
| PSNH Balance Sheets: | 2023 | 2022 |
| Restricted Cash - Current Portion (included in Current Assets) | $ 30.0 | $ 32.4 |
| Restricted Cash - Long-Term Portion (included in Other Long-Term Assets) | 3.2 | 3.2 |
| Securitized Stranded Cost (included in Regulatory Assets) | 392.5 | 435.7 |
| Other Regulatory Liabilities (included in Regulatory Liabilities) | 5.3 | 6.0 |
| Accrued Interest (included in Other Current Liabilities) | 6.3 | 6.9 |
| Rate Reduction Bonds - Current Portion | 43.2 | 43.2 |
| Rate Reduction Bonds - Long-Term Portion | 367.3 | 410.5 |

| *(Millions of Dollars)* | For the Years Ended December 31, | | |
|---|---|---|---|
| PSNH Income Statements: | 2023 | 2022 | 2021 |
| Amortization of RRB Principal (included in Amortization of Regulatory (Liabilities)/Assets, Net) | $ 43.2 | $ 43.2 | $ 43.2 |
| Interest Expense on RRB Principal (included in Interest Expense) | 15.7 | 17.0 | 18.4 |

Estimated principal payments on RRBs as of December 31, 2023, is summarized annually through 2028 and thereafter as follows:

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| PSNH | $ 43.2 | $ 43.2 | $ 43.2 | $ 43.2 | $ 43.2 | $ 194.5 | $ 410.5 |

*Variable Interest Entities - Other:* The Company's variable interests outside of the consolidated group include contracts that are required by regulation and provide for regulatory recovery of contract costs and benefits through customer rates. Eversource, CL&P and NSTAR Electric hold variable interests in VIEs through agreements with certain entities that own single renewable energy or peaking generation power plants, with other independent power producers and with transmission businesses. Eversource, CL&Pand NSTAR Electric do not control the activities that are economically significant to these VIEs or provide financial or other support to these VIEs. Therefore, Eversource, CL&P and NSTAR Electric do not consolidate these VIEs.

## 11. EMPLOYEE BENEFITS

### A. Pension Benefits and Postretirement Benefits Other Than Pension

Eversource provides defined benefit retirement plans (Pension Plans) that cover eligible employees and are subject to the provisions of ERISA, as amended by the Pension Protection Act of 2006. Eversource's policy is to annually fund the Pension Plans in an amount at least equal to an amount that will satisfy all federal funding requirements. In addition to the Pension Plans, Eversource maintains non-qualified defined benefit retirement plans (SERP Plans), which provide benefits in excess of Internal Revenue Code limitations to eligible participants consisting of current and retired employees.

Eversource also provides defined benefit postretirement plans (PBOP Plans) that provide life insurance and a health reimbursement arrangement created for the purpose of reimbursing retirees and dependents for health insurance premiums and certain medical expenses to eligible employees that meet certain age and service eligibility requirements. The benefits provided under the PBOP Plans are not vested, and the Company has the right to modify any benefit provision subject to applicable laws at that time. Eversource annually funds postretirement costs through tax deductible contributions to external trusts.

*Funded Status:* The Pension, SERP and PBOP Plans are accounted for under the multiple-employer approach, with each operating company's balance sheet reflecting its share of the funded status of the plans. Although Eversource maintains marketable securities in a benefit trust, the SERP Plans do not contain any assets. For further information, see Note 5, "Marketable Securities," to the financial statements. The following tables provide information on the plan benefit obligations, fair values of plan assets, and funded status:

| | Pension and SERP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | As of December 31, | | | | | | | |
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Change in Benefit Obligation: | | | | | | | | |
| Benefit Obligation as of Beginning of Year | $ (5,220.1) | $ (1,030.0) | $ (1,110.4) | $ (556.2) | $ (6,729.7) | $ (1,330.9) | $ (1,448.4) | $ (721.0) |
| Service Cost | (43.1) | (12.3) | (7.8) | (4.3) | (70.1) | (18.7) | (13.8) | (6.9) |
| Interest Cost | (254.0) | (50.5) | (53.9) | (27.3) | (154.5) | (31.3) | (32.8) | (16.9) |
| Actuarial (Loss)/Gain | (110.4) | (19.7) | (17.6) | (11.6) | 1,385.8 | 284.1 | 295.5 | 156.7 |
| Benefits Paid - Pension | 317.3 | 66.1 | 76.7 | 35.7 | 302.5 | 63.3 | 68.4 | 33.9 |
| Benefits Paid - Lump Sum | 28.9 | — | 5.3 | 1.0 | 33.0 | — | 14.8 | 1.0 |
| Benefits Paid - SERP | 43.0 | 0.3 | 0.2 | 0.4 | 12.9 | 0.3 | 0.2 | 0.4 |
| Employee Transfers | — | (2.4) | 0.5 | — | — | 3.2 | 5.7 | (3.4) |
| Benefit Obligation as of End of Year | $ (5,238.4) | $ (1,048.5) | $ (1,107.0) | $ (562.3) | $ (5,220.1) | $ (1,030.0) | $ (1,110.4) | $ (556.2) |
| Change in Pension Plan Assets: | | | | | | | | |
| Fair Value of Pension Plan Assets as of Beginning of Year | $ 5,806.4 | $ 1,172.0 | $ 1,418.8 | $ 618.0 | $ 6,495.5 | $ 1,323.8 | $ 1,596.0 | $ 694.6 |
| Employer Contributions | 5.0 | — | — | — | 80.0 | — | 15.0 | — |
| Actual Return on Pension Plan Assets | 309.8 | 61.7 | 75.3 | 32.7 | (433.6) | (85.3) | (103.3) | (45.1) |
| Benefits Paid - Pension | (317.3) | (66.1) | (76.7) | (35.7) | (302.5) | (63.3) | (68.4) | (33.9) |
| Benefits Paid - Lump Sum | (28.9) | — | (5.3) | (1.0) | (33.0) | — | (14.8) | (1.0) |
| Employee Transfers | — | 2.4 | (0.5) | — | — | (3.2) | (5.7) | 3.4 |
| Fair Value of Pension Plan Assets as of End of Year | $ 5,775.0 | $ 1,170.0 | $ 1,411.6 | $ 614.0 | $ 5,806.4 | $ 1,172.0 | $ 1,418.8 | $ 618.0 |
| Funded Status as of December 31st | $ 536.6 | $ 121.5 | $ 304.6 | $ 51.7 | $ 586.3 | $ 142.0 | $ 308.4 | $ 61.8 |

Actuarial (Loss)/Gain: For the year ended December 31, 2023, the actuarial loss was primarily attributable to a decrease in the discount rate, which resulted in an increase to Eversource's Pension and SERPPlans' projected benefit obligation of $98.9 million. For the year ended December 31, 2022, the actuarial gain was primarily attributable to an increase in the discount rate, which resulted in a decrease to Eversource's Pension and SERPPlans' projected benefit obligation of $1.48 billion.

As of December 31, 2023 and 2022, the accumulated benefit obligation for the Pension and SERP Plans is as follows:

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| 2023 | $ 4,936.8 | $ 977.8 | $ 1,051.9 | $ 522.1 |
| 2022 | 4,911.6 | 960.7 | 1,055.1 | 516.9 |

| | PBOP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | As of December 31, | | | | | | | |
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Change in Benefit Obligation: | | | | | | | | |
| Benefit Obligation as of Beginning of Year | $ (693.7) | $ (127.9) | $ (189.5) | $ (74.6) | $ (884.3) | $ (165.5) | $ (238.4) | $ (92.3) |
| Service Cost | (7.6) | (1.3) | (1.2) | (0.7) | (11.6) | (2.0) | (2.0) | (1.1) |
| Interest Cost | (33.8) | (6.2) | (9.2) | (3.7) | (20.2) | (3.7) | (5.3) | (2.2) |
| Actuarial Gain/(Loss) | 5.0 | 4.4 | (5.8) | 0.8 | 173.6 | 33.0 | 39.4 | 15.2 |
| Benefits Paid | 52.7 | 10.0 | 16.7 | 6.1 | 52.1 | 10.4 | 16.6 | 6.0 |
| Employee Transfers | — | — | 0.5 | (0.1) | — | (0.1) | 0.2 | (0.2) |
| Plan Amendment | 1.4 | 0.4 | 0.2 | 0.2 | — | — | — | — |
| Impact of Acquisitions | — | — | — | — | (3.3) | — | — | — |
| Benefit Obligation as of End of Year | $ (676.0) | $ (120.6) | $ (188.3) | $ (72.0) | $ (693.7) | $ (127.9) | $ (189.5) | $ (74.6) |
| Change in Plan Assets: | | | | | | | | |
| Fair Value of Plan Assets as of Beginning of Year | $ 970.1 | $ 120.6 | $ 456.1 | $ 72.3 | $ 1,138.3 | $ 145.7 | $ 530.0 | $ 88.0 |
| Actual Return on Plan Assets | 104.7 | 12.6 | 52.3 | 8.3 | (119.6) | (15.0) | (57.0) | (9.8) |
| Employer Contributions | 1.9 | — | — | — | 3.1 | — | — | — |
| Benefits Paid | (52.3) | (10.0) | (16.7) | (6.1) | (51.7) | (10.4) | (16.6) | (6.0) |
| Employee Transfers | — | (0.2) | (1.3) | 0.2 | — | 0.3 | (0.3) | 0.1 |
| Fair Value of Plan Assets as of End of Year | $ 1,024.4 | $ 123.0 | $ 490.4 | $ 74.7 | $ 970.1 | $ 120.6 | $ 456.1 | $ 72.3 |
| Funded Status as of December 31st | $ 348.4 | $ 2.4 | $ 302.1 | $ 2.7 | $ 276.4 | $ (7.3) | $ 266.6 | $ (2.3) |

Actuarial Gain/(Loss): For the year ended December 31, 2023, the actuarial gain was primarily attributable to changes to termination, retirement, and dependency rates that were updated as a result of an experience study performed in 2023, updated census data, changes to plan provisions, and other assumption changes, which resulted in a decrease to the Eversource PBOP projected benefit obligation of $17 million. The actuarial gain was partially offset by a decrease in the discount rate, which resulted in an increase to the Eversource PBOP projected benefit obligation of $12 million. For the year ended December 31, 2022, the actuarial gain was primarily attributable to an increase in the discount rate, which resulted in a decrease to the Eversource PBOP projected benefit obligation of $180.1 million.

A reconciliation of the prepaid assets and liabilities within the Eversource Pension, SERP and PBOPPlans' funded status to the balance sheets is as follows:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Prepaid Pension | $ 672.2 | $ 127.4 | $ 306.5 | $ 56.3 | $ 756.7 | $ 147.9 | $ 310.2 | $ 66.4 |
| Prepaid PBOP | 356.0 | 2.4 | 302.1 | 2.7 | 288.8 | — | 266.6 | — |
| Prepaid Pension and PBOP | $ 1,028.2 | $ 129.8 | $ 608.6 | $ 59.0 | $ 1,045.5 | $ 147.9 | $ 576.8 | $ 66.4 |
| | | | | | | | | |
| Accrued Pension | $ — | $ — | $ — | $ — | $ 3.7 | $ — | $ — | $ — |
| Accrued SERP | 135.6 | 5.9 | 1.9 | 4.6 | 166.7 | 5.9 | 1.8 | 4.6 |
| Accrued PBOP | 7.6 | — | — | — | 12.4 | 7.3 | — | 2.3 |
| Less: Accrued SERP - current portion | (19.4) | (0.3) | (0.2) | (0.4) | (47.3) | (0.3) | (0.2) | (0.4) |
| Accrued Pension, SERP and PBOP | $ 123.8 | $ 5.6 | $ 1.7 | $ 4.2 | $ 135.5 | $ 12.9 | $ 1.6 | $ 6.5 |

The following actuarial assumptions were used in calculating the Pension, SERP and PBOP Plans' year end funded status:

| | Pension and SERP | | PBOP | |
|---|---|---|---|---|
| | As of December 31, | | As of December 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| Discount Rate | 4.9% — 5.0% | 5.1% — 5.2% | 5.0% — 5.2% | 5.2% |
| Compensation/Progression Rate | 3.5% — 4.0% | 3.5% — 4.0% | N/A | |

For the Eversource Service PBOP Plan, the health care cost trend rate is not applicable. For the Aquarion PBOP Plan, the health care cost trend rate for pre-65 retirees is 6.75 percent, with an ultimate rate of 5 percent in 2031, and for post-65 retirees, the health care trend rate and ultimate rate is 3.5 percent.

*Expense:* Eversource charges net periodic benefit plan expense/(income) for the Pension, SERP and PBOP Plans to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. The actual investment return in the trust is allocated to each of the subsidiaries annually in proportion to the investment return expected to be earned during the year. The Company utilizes the spot rate methodology to estimate the discount rate for the service and interest cost components of benefit expense, which provides a relatively precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve.

The components of net periodic benefit plan expense/(income) for the Pension, SERP and PBOP Plans, prior to amounts capitalized as Property, Plant and Equipment or deferred as regulatory assets/(liabilities) for future recovery or refund, are shown below. The service cost component of net periodic benefit plan expense/(income), less the capitalized portion, is included in Operations and Maintenance expense on the statements of income. The remaining components of net periodic benefit plan expense/(income), less the deferred portion, are included in Other Income, Net on the statements of income. Pension, SERP and PBOP expense reflected in the statements of cash flows for CL&P, NSTAR Electric and PSNH does not include intercompany allocations of net periodic benefit plan expense/(income), as these amounts are cash settled on a short-term basis.

| | Pension and SERP | | | | PBOP | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, 2023 | | | | For the Year Ended December 31, 2023 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Service Cost | $ 43.1 | $ 12.3 | $ 7.8 | $ 4.3 | $ 7.6 | $ 1.3 | $ 1.2 | $ 0.7 |
| Interest Cost | 254.0 | 50.5 | 53.9 | 27.3 | 33.8 | 6.2 | 9.2 | 3.7 |
| Expected Return on Plan Assets | (465.0) | (94.2) | (113.8) | (49.5) | (77.1) | (9.4) | (36.9) | (5.5) |
| Actuarial Loss | 45.8 | 2.5 | 17.1 | 1.5 | — | — | — | — |
| Prior Service Cost/(Credit) | 1.3 | — | 0.3 | — | (21.6) | 1.1 | (17.0) | 0.4 |
| Settlement Loss | 12.4 | — | — | — | — | — | — | — |
| Total Net Periodic Benefit Plan Income | $ (108.4) | $ (28.9) | $ (34.7) | $ (16.4) | $ (57.3) | $ (0.8) | $ (43.5) | $ (0.7) |
| Intercompany Income Allocations | N/A | $ (4.0) | $ (3.0) | $ (0.8) | N/A | $ (1.9) | $ (2.1) | $ (0.7) |

| | Pension and SERP | | | | PBOP | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, 2022 | | | | For the Year Ended December 31, 2022 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Service Cost | $ 70.1 | $ 18.7 | $ 13.8 | $ 6.9 | $ 11.6 | $ 2.0 | $ 2.0 | $ 1.1 |
| Interest Cost | 154.5 | 31.3 | 32.8 | 16.9 | 20.2 | 3.7 | 5.3 | 2.2 |
| Expected Return on Plan Assets | (523.6) | (106.3) | (128.4) | (56.1) | (89.9) | (11.4) | (42.4) | (6.7) |
| Actuarial Loss | 116.0 | 16.2 | 32.8 | 7.9 | — | — | — | — |
| Prior Service Cost/(Credit) | 1.4 | — | 0.3 | — | (21.7) | 1.1 | (17.0) | 0.4 |
| Total Net Periodic Benefit Plan Income | $ (181.6) | $ (40.1) | $ (48.7) | $ (24.4) | $ (79.8) | $ (4.6) | $ (52.1) | $ (3.0) |
| Intercompany Income Allocations | N/A | $ (16.0) | $ (12.4) | $ (3.6) | N/A | $ (3.7) | $ (3.6) | $ (1.2) |

| | Pension and SERP | | | | PBOP | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, 2021 | | | | For the Year Ended December 31, 2021 | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric | PSNH |
| Service Cost | $ 85.8 | $ 23.0 | $ 15.8 | $ 8.9 | $ 13.5 | $ 2.3 | $ 2.4 | $ 1.2 |
| Interest Cost | 130.0 | 27.3 | 26.8 | 14.5 | 17.4 | 3.2 | 4.4 | 1.8 |
| Expected Return on Plan Assets | (437.5) | (86.8) | (108.1) | (47.5) | (79.1) | (10.3) | (36.9) | (6.1) |
| Actuarial Loss | 243.9 | 45.5 | 61.6 | 20.7 | 8.9 | 1.8 | 2.4 | 0.7 |
| Prior Service Cost/(Credit) | 1.4 | — | 0.3 | — | (21.2) | 1.1 | (17.0) | 0.4 |
| Total Net Periodic Benefit Plan Expense/(Income) | $ 23.6 | $ 9.0 | $ (3.6) | $ (3.4) | $ (60.5) | $ (1.9) | $ (44.7) | $ (2.0) |
| Intercompany Expense/(Income) Allocations | N/A | $ 8.0 | $ 8.8 | $ 2.7 | N/A | $ (1.6) | $ (1.9) | $ (0.6) |

The following actuarial assumptions were used to calculate Pension, SERP and PBOP expense amounts:

| | Pension and SERP | | | PBOP | | |
|---|---|---|---|---|---|---|
| | For the Years Ended December 31, | | | For the Years Ended December 31, | | |
| | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Discount Rate | 4.9% — 5.3% | 2.2% — 3.2% | 1.5% — 3.0% | 5.1% — 5.4% | 2.3% — 3.3% | 1.8% — 3.1% |
| Expected Long-Term Rate of Return | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% |
| Compensation/Progression Rate | 3.5% — 4.0% | 3.5% — 4.0% | 3.5% — 4.0% | N/A | N/A | N/A |

For the Aquarion Pension Plan, the expected long-term rate of return was 7.94 percent and 7 percent for the years ended December 31, 2023 and 2022, respectively. For the Aquarion PBOP Plan the expected long-term rate of return was 7 percent for the years ended December 31, 2023 and 2022 and the health care cost trend rate was a range of 3.5 percent to 7 percent for the year ended December 31, 2023 and 3.5 percent to 6.5 percent for the year ended December 31, 2022.

*Regulatory Assets and Accumulated Other Comprehensive Income/(Loss) Amounts:* The Pension, SERP and PBOP Plans cover eligible employees, including, among others, employees of the regulated companies. The regulated companies record actuarial losses and gains and prior service costs and credits arising at the December 31st remeasurement date of the funded status of the benefit plans as a regulatory asset or regulatory liability in lieu of a charge to Accumulated Other Comprehensive Income/(Loss), reflecting ultimate recovery from customers through rates. Regulatory accounting is also applied to the portions of the Eversource Service retiree benefit costs that support the regulated companies, as these costs are also recovered from customers. Adjustments to the Pension, SERP and PBOP Plans' funded status for the unregulated companies are recorded on an after-tax basis to Accumulated Other Comprehensive Income/(Loss). For further information, see Note 2, "Regulatory Accounting," and Note 16, "Accumulated Other Comprehensive Income/(Loss)," to the financial statements.

The following is a summary of the changes in plan assets and benefit obligations recognized in Regulatory Assets and Other Comprehensive Income (OCI) as well as amounts in Regulatory Assets and OCI that were reclassified as net periodic benefit expense during the years presented:

| | Pension and SERP | | | | PBOP | | | |
|---|---|---|---|---|---|---|---|---|
| | Regulatory Assets | | OCI | | Regulatory Assets | | OCI | |
| | For the Years Ended December 31, | | | | For the Years Ended December 31, | | | |
| *(Millions of Dollars)* | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Actuarial (Gain)/Loss Arising During the Year | $ 251.1 | $ (431.6) | $ 14.0 | $ 4.6 | $ (32.0) | $ 36.8 | $ (0.3) | $ (0.8) |
| Actuarial Loss Reclassified as Net Periodic Benefit Expense | (38.8) | (107.0) | (7.0) | (9.0) | — | — | — | — |
| Settlement Loss | — | — | (12.4) | — | — | — | — | — |
| Prior Service Credit Arising During the Year | — | — | — | — | (0.9) | — | — | — |
| Prior Service (Cost)/Credit Reclassified as Net Periodic Benefit (Expense)/Income | (1.2) | (1.2) | (0.1) | (0.2) | 21.8 | 21.8 | (0.2) | (0.1) |

The following is a summary of the remaining Regulatory Assets and Accumulated Other Comprehensive Income amounts that have not been recognized as components of net periodic benefit expense as of December 31, 2023 and 2022:

| | Regulatory Assets as of December 31, | | AOCI as of December 31, | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2023 | 2022 |
| **Pension and SERP** | | | | |
| Actuarial Loss | $ 1,101.0 | $ 888.7 | $ 56.5 | $ 61.9 |
| Prior Service Cost | 2.9 | 4.1 | 0.3 | 0.4 |
| **PBOP** | | | | |
| Actuarial Loss | $ 49.8 | $ 81.8 | $ 2.4 | $ 2.7 |
| Prior Service (Credit)/Cost | (87.4) | (108.3) | 0.7 | 0.9 |

The difference between the actual return and calculated expected return on plan assets for the Pension and PBOP Plans, as well as changes in actuarial assumptions impacting the projected benefit obligation, are recorded as unamortized actuarial gains or losses arising during the year in Regulatory Assets or Accumulated Other Comprehensive Income/(Loss). Unamortized actuarial gains or losses are amortized as a component of pension and PBOP expense over the estimated average future employee service period using the corridor approach.

*Estimated Future Benefit Payments:* The following benefit payments, which reflect expected future service, are expected to be paid by the Pension, SERP and PBOPPlans:

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 - 2033 |
|---|---|---|---|---|---|---|
| Pension and SERP | $ 370.2 | $ 367.1 | $ 370.8 | $ 373.8 | $ 375.0 | $ 1,864.3 |
| PBOP | 55.2 | 54.7 | 53.8 | 52.8 | 51.8 | 241.1 |

*Eversource Contributions:* Based on the current status of the Pension Plans and federal pension funding requirements, there is no minimum funding requirement for our Eversource Service Pension Plan in 2024 and we do not expect to make pension contributions in 2024. We do not expect to make any contributions to the Eversource Service PBOP Plan in 2024.

Eversource contributed $5.0 million and $1.9 million to the Aquarion Pension and PBOP Plans, respectively, in 2023. Eversource currently estimates contributing $5.0 million and $2.4 million to the Aquarion Pension and PBOP Plans, respectively, in 2024.

*Fair Value of Pension and PBOP Plan Assets:* Pension and PBOP funds are held in external trusts. Trust assets, including accumulated earnings, must be used exclusively for Pension and PBOPpayments. Eversource's investment strategy for its Pension and PBOP Plans is to maximize the long-term rates of return on these plans' assets within an acceptable level of risk. The investment guidelines for each asset category includes a diversification of asset types, fund strategies and fund managers and it establishes target asset allocations that are routinely reviewed and periodically rebalanced. PBOP assets are comprised of assets held in the PBOP Plan trust, as well as specific assets within the Pension Plan trust (401(h) assets). The investment policy and strategy of the 401(h) assets is consistent with that of the defined benefit pension plan. Eversource's expected long-term rates of return on Pension and PBOP Plan assets are based on target asset allocation assumptions and related expected long-term rates of return. In developing its expected long-term rate of return assumptions for the Pension and PBOP Plans, Eversource evaluated input from consultants, as well as long-term inflation assumptions and historical returns. Management has assumed long-term rates of return of 8.25 percent for the Eversource Service Pension Plan assets, the Eversource Service PBOP Plan assets and the Aquarion Pension Plan assets, and a 7 percent long-term rate of return for the Aquarion PBOP Plan, to estimate its 2024 Pension and PBOPcosts.

These long-term rates of return are based on the assumed rates of return for the target asset allocations as follows:

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2023 | | | 2022 | |
| | Target Asset Allocation | | Assumed Rate of Return | Target Asset Allocation | Assumed Rate of Return |
| | Eversource Pension Plan | Eversource PBOP Plan | Eversource Pension Plan and PBOP Plan | Eversource Pension Plan and PBOP Plan | |
| Equity Securities: | | | | | |
| United States | — % | 20.0 % | 8.5 % | 15.0 % | 8.5 % |
| Global | 20.0 % | — % | 8.75 % | 10.0 % | 8.75 % |
| Non-United States | — % | 11.0 % | 8.5 % | 8.0 % | 8.5 % |
| Emerging Markets | — % | 6.0 % | 10.0 % | 4.0 % | 10.0 % |
| Debt Securities: | | | | | |
| Fixed Income | 16.0 % | 17.0 % | 5.5 % | 13.0 % | 4.0 % |
| Public High Yield Fixed Income | 5.0 % | — % | 7.5 % | 4.0 % | 6.5 % |
| United States Treasuries | 11.0 % | — % | 4.5 % | — % | — % |
| Private Debt | 10.0 % | 13.0 % | 10.0 % | 13.0 % | 9.0 % |
| Private Equity | 23.0 % | 18.0 % | 12.0 % | 18.0 % | 12.0 % |
| Real Assets | 15.0 % | 15.0 % | 7.5 % | 15.0 % | 7.5 % |

The following tables present, by asset category, the Pension and PBOP Plan assets recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

**Pension Plan**

| | Fair Value Measurements as of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2023 | | | | 2022 | | | |
| **Asset Category:** | Level 1 | Level 2 | Uncategorized | Total | Level 1 | Level 2 | Uncategorized | Total |
| Equity Securities | $ 374.0 | $ — | $ 853.0 | $ 1,227.0 | $ 407.7 | $ — | $ 1,102.2 | $ 1,509.9 |
| Fixed Income [(1)] | 354.6 | 340.9 | 1,516.4 | 2,211.9 | 277.1 | 78.5 | 1,598.8 | 1,954.4 |
| Private Equity | — | — | 1,685.3 | 1,685.3 | — | — | 1,684.9 | 1,684.9 |
| Real Assets | 173.6 | — | 722.1 | 895.7 | 181.8 | — | 731.0 | 912.8 |
| Total | $ 902.2 | $ 340.9 | $ 4,776.8 | $ 6,019.9 | $ 866.6 | $ 78.5 | $ 5,116.9 | $ 6,062.0 |
| Less: 401(h) PBOP Assets [(2)] | | | | (244.9) | | | | (255.6) |
| Total Pension Assets | | | | $ 5,775.0 | | | | $ 5,806.4 |

**PBOP Plan**

| | Fair Value Measurements as of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2023 | | | | 2022 | | | |
| **Asset Category:** | Level 1 | Level 2 | Uncategorized | Total | Level 1 | Level 2 | Uncategorized | Total |
| Equity Securities | $ 139.1 | $ — | $ 212.1 | $ 351.2 | $ 153.2 | $ — | $ 183.5 | $ 336.7 |
| Fixed Income | 33.4 | 43.0 | 159.8 | 236.2 | 18.2 | 40.2 | 141.1 | 199.5 |
| Private Equity | — | — | 87.7 | 87.7 | — | — | 70.9 | 70.9 |
| Real Assets | 70.5 | — | 33.9 | 104.4 | 71.2 | — | 36.2 | 107.4 |
| Total | $ 243.0 | $ 43.0 | $ 493.5 | $ 779.5 | $ 242.6 | $ 40.2 | $ 431.7 | $ 714.5 |
| Add: 401(h) PBOP Assets [(2)] | | | | 244.9 | | | | 255.6 |
| Total PBOP Assets | | | | $ 1,024.4 | | | | $ 970.1 |

(1) Fixed Income investments classified as Level 1 as of December 31, 2023 and 2022 include pending purchases and pending redemption settlements of $31 million and $138 million, respectively.

(2) The assets of the Pension Plan include a 401(h) account that has been allocated to provide health and welfare postretirement benefits under the PBOPPlan.

The Company values assets based on observable inputs when available. Equity securities, exchange traded funds and futures contracts classified as Level 1 in the fair value hierarchy are priced based on the closing price on the primary exchange as of the balance sheet date.

Fixed income securities, such as government issued securities and corporate bonds, are included in Level 2 and are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The pricing models utilize observable inputs such as recent trades for the same or similar instruments, yield curves, discount margins and bond structures. Swaps are valued using pricing models that incorporate interest rates and equity and fixed income index closing prices to determine a net present value of the cash flows.

Certain investments, such as commingled funds, private equity investments, fixed income funds, real asset funds and hedge funds are valued using the net asset value (NAV) as a practical expedient. Assets valued at NAV are uncategorized in the fair value hierarchy. These investments are structured as investment companies offering shares or units to multiple investors for the purpose of providing a return. Commingled funds are recorded at NAV provided by the asset manager, which is based on the market prices of the underlying equity securities. Private Equity investments, Fixed Income partnership funds and Real Assets are valued using the NAV provided by the partnerships, which are based on discounted cash flows of the underlying investments, real estate appraisals or public market comparables of the underlying investments, or the NAV of underlying assets held in hedge funds. Equity Securities investments in United States, Global, Non-United States and Emerging Markets that are uncategorized include investments in commingled funds and hedge funds that are overlaid with equity index swaps and futures contracts. Fixed Income investments that are uncategorized include investments in commingled funds, fixed income funds that invest in a variety of opportunistic credit and private debt strategies, and hedge funds that are overlaid with fixed income futures.

**B. Defined Contribution Plans**

Eversource maintains defined contribution plans on behalf of eligible participants. The Eversource 401k Plan provides for employee and employer contributions up to statutory limits. For eligible employees, the Eversource 401k Plan provides employer matching contributions of either 100 percent up to a maximum of three percent of eligible compensation or 50 percent up to a maximum of eight percent of eligible compensation. The Eversource 401k Plan also contains a K-Vantage feature for the benefit of eligible participants, which provides an additional annual employer contribution based on age and years of service. K-Vantage participants are not eligible to actively participate in the Eversource Pension Plan.

The total Eversource 401k Plan employer matching contributions, including the K-Vantage contributions, were as follows:

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| 2023 | $ 67.3 | $ 9.0 | $ 13.7 | $ 5.4 |
| 2022 | 59.9 | 7.7 | 12.8 | 4.8 |
| 2021 | 55.5 | 7.0 | 12.2 | 4.3 |

**C. Share-Based Payments**

Share-based compensation awards are recorded using a fair-value based method at the date of grant. Eversource, CL&P, NSTAR Electric and PSNH record compensation expense related to these awards, as applicable, for shares issued to their respective employees and officers, as well as for the allocation of costs associated with shares issued to Eversource's service company employees and officers that support CL&P, NSTAR Electric and PSNH.

*Eversource Incentive Plans:* Eversource maintains long-term equity-based incentive plans in which Eversource, CL&P, NSTAR Electric and PSNH employees, officers and board members are eligible to participate. The incentive plans authorize Eversource to grant up to 7,400,000 new shares for various types of awards, including RSUs and performance shares, to eligible employees, officers, and board members. As of December 31, 2023 and 2022, Eversource had 4,587,376 and 903,183 common shares, respectively, available for issuance under these plans.

Eversource accounts for its various share-based plans as follows:

- RSUs - Eversource records compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period based upon the fair value of Eversource's common shares at the date of grant. The par value of RSUs is reclassified to Common Stock from Capital Surplus, Paid In as RSUs become issued as common shares.

- Performance Shares - Eversource records compensation expense, net of estimated forfeitures, over the requisite service period. Performance shares vest based upon the extent to which Company goals are achieved. Vesting of outstanding performance shares is based upon the Company's EPS growth over the requisite service period and level of payout is determined based on the total shareholder return as compared to the Edison Electric Institute (EEI) Index during the requisite service period. The fair value of performance shares is determined at the date of grant using a lattice model. Compensation expense is subject to volatility until payout is established.

*RSUs:* Eversource granted RSUs under the annual long-term incentive programs that are subject to three-year graded vesting schedules for employees, and one-year graded vesting schedules, or immediate vesting, for board members. RSUs are paid in shares, reduced by amounts sufficient to satisfy withholdings for income taxes, subsequent to vesting. A summary of RSU transactions is as follows:

| | RSUs (Units) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Outstanding as of December 31, 2022 | 629,734 | $ 68.52 |
| Granted | 248,124 | $ 76.42 |
| Shares Issued | (181,409) | $ 87.09 |
| Forfeited | (24,207) | $ 83.43 |
| Outstanding as of December 31, 2023 | 672,242 | $ 65.89 |

The weighted average grant-date fair value of RSUs granted for the years ended December 31, 2023, 2022 and 2021 was $76.42, $85.96 and $81.89, respectively. As of December 31, 2023 and 2022, the number and weighted average grant-date fair value of unvested RSUs was 326,581 and $80.76 per share, and 300,592 and $87.21 per share, respectively. During 2023, there were 199,145 RSUs at a weighted average grant-date fair value of $86.92 per share that vested during the year and were either paid or deferred. As of December 31, 2023, 345,661 RSUs were fully vested and deferred and an additional 310,252 are expected to vest.

*Performance Shares:* Eversource granted performance shares under the annual long-term incentive programs that vest based upon the extent to which Company goals are achieved at the end of three-year performance measurement periods. Performance shares are paid in shares, after the performance measurement period. A summary of performance share transactions is as follows:

| | Performance Shares (Units) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Outstanding as of December 31, 2022 | 547,290 | $ 87.49 |
| Granted | 278,983 | $ 83.39 |
| Shares Issued | (125,677) | $ 90.49 |
| Forfeited | (36,172) | $ 85.13 |
| Outstanding as of December 31, 2023 | 664,424 | $ 85.33 |

The weighted average grant-date fair value of performance shares granted for the years ended December 31, 2023, 2022 and 2021 was $83.39, $83.34 and $76.08, respectively. As of December 31, 2023 and 2022, the number and weighted average grant-date fair value of unvested performance shares was 485,480 and $85.20 per share, and 457,069 and $88.43 per share, respectively. During 2023, there were 214,742 performance shares at a weighted average grant-date fair value of $89.70 per share that vested during the year and were either paid or deferred. As of December 31, 2023, 178,944 performance shares were fully vested and deferred.

*Compensation Expense:* The total compensation expense and associated future income tax benefits recognized by Eversource, CL&P, NSTAR Electric and PSNH for share-based compensation awards were as follows:

| **Eversource** | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2023 | 2022 | 2021 |
| Compensation Expense | $ 27.8 | $ 33.4 | $ 28.2 |
| Future Income Tax Benefit | 7.3 | 8.7 | 7.3 |

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2021 | | |
| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH |
| Compensation Expense | $ 8.7 | $ 8.7 | $ 3.0 | $ 10.0 | $ 10.7 | $ 3.6 | $ 8.8 | $ 9.0 | $ 3.0 |
| Future Income Tax Benefit | 2.3 | 2.3 | 0.8 | 2.6 | 2.8 | 0.9 | 2.3 | 2.3 | 0.8 |

As of December 31, 2023, there was $31.3 million of total unrecognized compensation expense related to nonvested share-based awards for Eversource, including $5.8 million for CL&P, $8.6 million for NSTAR Electric, and $1.9 million for PSNH. This cost is expected to be recognized ratably over a weighted-average period of 1.81 years for Eversource, CL&P, NSTAR Electric and PSNH.

An income tax rate of 26 percent was used to estimate the tax effect on total share-based payments determined under the fair-value based method for all awards. The Company issues treasury shares to settle fully vested RSUs and performance shares under the Company's incentive plans.

For the year ended December 31, 2023, a tax deficiency associated with the distribution of stock compensation awards increased income tax expense by $0.5 million, which decreased cash flows from operating activities on the statements of cash flows. For the years ended December 31, 2022 and 2021, excess tax benefits associated with the distribution of stock compensation awards reduced income tax expense by $2.1 million and $4.0 million, respectively, which increased cash flows from operating activities on the statements of cash flows.

**D. Other Retirement Benefits**

Eversource provides retirement and other benefits for certain current and past company officers. These benefits are accounted for on an accrual basis and expensed over a period equal to the service lives of the employees. The actuarially-determined liability for these benefits is included in Other Current and Long-Term Liabilities on the balance sheets. The related expense, which includes the allocation of expense associated with Eversource's service company officers that support CL&P, NSTAR Electric and PSNH, is included in Operations and Maintenance Expense on the income statements. The liability and expense amounts are as follows:

| **Eversource** *(Millions of Dollars)* | As of and For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Actuarially-Determined Liability | $ 32.6 | $ 43.4 | $ 42.8 |
| Other Retirement Benefits Expense [1] | 2.6 | 10.9 | 2.2 |

| | As of and For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2021 | | |
| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH |
| Actuarially-Determined Liability | $ 0.2 | $ — | $ 1.1 | $ 0.2 | $ 0.1 | $ 1.3 | $ 0.2 | $ 0.1 | $ 1.5 |
| Other Retirement Benefits Expense (1) | 0.8 | 0.8 | 0.4 | 4.0 | 3.7 | 1.3 | 0.7 | 0.7 | 0.3 |

(1) Other Retirement Benefits Expense in 2022 includes a one-time special retirement benefit payable of $9.2 million, which was paid in 2023.

## 12. INCOME TAXES

The components of income tax expense are as follows:

| **Eversource** *(Millions of Dollars)* | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| Current Income Taxes: | | | |
| Federal | $ 75.8 | $ 95.8 | $ 21.5 |
| State | 0.6 | 13.6 | (21.6) |
| Total Current | 76.4 | 109.4 | (0.1) |
| Deferred Income Taxes, Net: | | | |
| Federal | (0.9) | 198.8 | 199.7 |
| State | 86.3 | 148.0 | 147.4 |
| Total Deferred | 85.4 | 346.8 | 347.1 |
| Investment Tax Credits, Net | (2.1) | (2.6) | (2.8) |
| Income Tax Expense | $ 159.7 | $ 453.6 | $ 344.2 |

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2021 | | |
| *(Millions of Dollars)* | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH | CL&P | NSTAR Electric | PSNH |
| Current Income Taxes: | | | | | | | | | |
| Federal | $ (10.8) | $ 50.7 | $ (40.0) | $ 106.2 | $ 55.0 | $ 29.6 | $ 15.0 | $ 52.3 | $ 43.1 |
| State | (2.3) | 7.8 | (20.0) | 20.1 | 8.7 | 5.9 | (7.0) | 6.2 | 10.8 |
| Total Current | (13.1) | 58.5 | (60.0) | 126.3 | 63.7 | 35.5 | 8.0 | 58.5 | 53.9 |
| Deferred Income Taxes, Net: | | | | | | | | | |
| Federal | 130.3 | 50.1 | 81.2 | 17.2 | 35.6 | 5.9 | 76.3 | 16.3 | (14.9) |
| State | 53.7 | 46.1 | 37.8 | 28.2 | 42.4 | 9.9 | 47.6 | 41.2 | 0.4 |
| Total Deferred | 184.0 | 96.2 | 119.0 | 45.4 | 78.0 | 15.8 | 123.9 | 57.5 | (14.5) |
| Investment Tax Credits, Net | — | (1.7) | — | (0.5) | (1.7) | — | (0.6) | (1.7) | — |
| Income Tax Expense | $ 170.9 | $ 153.0 | $ 59.0 | $ 171.2 | $ 140.0 | $ 51.3 | $ 131.3 | $ 114.3 | $ 39.4 |

A reconciliation between income tax expense and the expected tax expense at the statutory rate is as follows:

| **Eversource** *(Millions of Dollars, except percentages)* | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| (Loss)/Income Before Income Tax Expense | $ (275.0) | $ 1,866.0 | $ 1,572.3 |
| | | | |
| Statutory Federal Income Tax Expense at 21% | (57.7) | 391.9 | 330.2 |
| Tax Effect of Differences: | | | |
| Depreciation | (25.8) | (17.1) | (18.1) |
| Investment Tax Credit Amortization | (2.1) | (2.6) | (2.8) |
| State Income Taxes, Net of Federal Impact | (11.4) | 75.9 | 54.4 |
| Dividends on ESOP | (5.3) | (5.1) | (5.1) |
| Tax Asset Valuation Allowance/Reserve Adjustments | 295.8 | 51.6 | 44.6 |
| Tax Deficiency/(Excess Stock Benefit) | 0.5 | (2.1) | (4.0) |
| EDIT Amortization | (51.5) | (49.1) | (69.1) |
| Other, Net | 17.2 | 10.2 | 14.1 |
| Income Tax Expense | $ 159.7 | $ 453.6 | $ 344.2 |
| Effective Tax Rate | (58.1)% | 24.3 % | 21.9 % |

| (Millions of Dollars, except percentages) | 2023 CL&P | 2023 NSTAR Electric | 2023 PSNH | 2022 CL&P | 2022 NSTAR Electric | 2022 PSNH | 2021 CL&P | 2021 NSTAR Electric | 2021 PSNH |
|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, | | | | | | | | |
| Income Before Income Tax Expense | $ 689.6 | $ 697.5 | $ 254.7 | $ 704.1 | $ 632.4 | $ 222.9 | $ 533.0 | $ 590.9 | $ 189.8 |
| Statutory Federal Income Tax Expense at 21% | 144.9 | 146.5 | 53.5 | 147.9 | 132.8 | 46.8 | 111.9 | 124.1 | 39.9 |
| Tax Effect of Differences: | | | | | | | | | |
| Depreciation | (5.6) | (8.8) | (1.0) | (3.7) | (4.2) | 0.9 | (6.4) | (3.4) | (0.2) |
| Investment Tax Credit Amortization | — | (1.7) | — | (0.5) | (1.7) | — | (0.6) | (1.7) | — |
| State Income Taxes, Net of Federal Impact | (10.7) | 42.5 | 14.1 | (6.6) | 40.3 | 12.5 | (4.6) | 37.5 | 8.9 |
| Tax Asset Valuation Allowance/Reserve Adjustments | 51.3 | — | — | 44.7 | — | — | 36.7 | — | — |
| Tax Deficiency/(Excess Stock Benefit) | 0.2 | 0.2 | 0.1 | (0.7) | (0.8) | (0.3) | (1.5) | (1.4) | (0.5) |
| EDIT Amortization | (10.5) | (28.4) | (6.8) | (9.2) | (29.2) | (7.7) | (9.8) | (43.2) | (10.5) |
| Other, Net | 1.3 | 2.7 | (0.9) | (0.7) | 2.8 | (0.9) | 5.6 | 2.4 | 1.8 |
| Income Tax Expense | $ 170.9 | $ 153.0 | $ 59.0 | $ 171.2 | $ 140.0 | $ 51.3 | $ 131.3 | $ 114.3 | $ 39.4 |
| Effective Tax Rate | 24.8 % | 21.9 % | 23.2 % | 24.3 % | 22.1 % | 23.0 % | 24.6 % | 19.3 % | 20.8 % |

Eversource, CL&P, NSTAR Electric and PSNH file a consolidated federal income tax return and unitary, combined and separate state income tax returns. These entities are also parties to a tax allocation agreement under which taxable subsidiaries do not pay any more taxes than they would have otherwise paid had they filed a separate company tax return, and subsidiaries generating tax losses, if any, are paid for their losses when utilized.

Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The tax effect of temporary differences is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions and relevant accounting authoritative literature. The tax effects of temporary differences that give rise to the net accumulated deferred income tax obligations are as follows:

| (Millions of Dollars) | 2023 Eversource | 2023 CL&P | 2023 NSTAR Electric | 2023 PSNH | 2022 Eversource | 2022 CL&P | 2022 NSTAR Electric | 2022 PSNH |
|---|---|---|---|---|---|---|---|---|
| | As of December 31, | | | | | | | |
| Deferred Tax Assets: | | | | | | | | |
| Employee Benefits | $ 244.5 | $ 29.9 | $ 66.8 | $ 13.0 | $ 228.9 | $ 25.3 | $ 57.4 | $ 11.6 |
| Derivative Liabilities | 33.0 | 33.0 | — | — | 53.8 | 53.8 | — | — |
| Regulatory Deferrals - Liabilities | 452.0 | 94.4 | 291.5 | 23.8 | 529.5 | 146.6 | 285.7 | 42.1 |
| Allowance for Uncollectible Accounts | 143.8 | 79.6 | 21.5 | 3.9 | 125.5 | 60.5 | 20.7 | 7.9 |
| Tax Effect - Tax Regulatory Liabilities | 739.0 | 320.7 | 227.1 | 95.5 | 762.9 | 324.6 | 241.8 | 97.8 |
| Net Operating Loss Carryforwards | 13.8 | — | — | — | 16.7 | — | — | — |
| Purchase Accounting Adjustment | 56.7 | — | — | — | 62.0 | — | — | — |
| Equity Method Wind Investments | 584.9 | — | — | — | — | — | — | — |
| Other | 200.1 | 125.3 | 25.0 | 23.4 | 176.6 | 109.5 | 20.5 | 21.3 |
| Total Deferred Tax Assets | 2,467.8 | 682.9 | 631.9 | 159.6 | 1,955.9 | 720.3 | 626.1 | 180.7 |
| Less: Valuation Allowance (1) | 328.1 | 80.6 | — | — | 82.8 | 63.3 | — | — |
| Net Deferred Tax Assets | $ 2,139.7 | $ 602.3 | $ 631.9 | $ 159.6 | $ 1,873.1 | $ 657.0 | $ 626.1 | $ 180.7 |
| Deferred Tax Liabilities: | | | | | | | | |
| Accelerated Depreciation and Other Plant-Related Differences | $ 5,103.3 | $ 1,703.4 | $ 1,728.6 | $ 566.5 | $ 4,793.7 | $ 1,602.0 | $ 1,643.7 | $ 523.8 |
| Property Tax Accruals | 95.0 | 42.0 | 39.8 | 6.3 | 95.3 | 40.7 | 41.3 | 6.7 |
| Regulatory Amounts: | | | | | | | | |
| Regulatory Deferrals - Assets | 1,512.3 | 470.0 | 474.5 | 250.3 | 1,251.9 | 406.4 | 407.9 | 165.2 |
| Tax Effect - Tax Regulatory Assets | 284.0 | 191.9 | 10.5 | 8.3 | 271.7 | 185.6 | 10.7 | 7.9 |
| Goodwill-related Regulatory Asset - 1999 Merger | 72.2 | — | 61.9 | — | 76.8 | — | 65.9 | — |
| Employee Benefits | 282.0 | 38.8 | 146.7 | 16.8 | 305.5 | 45.0 | 140.8 | 18.7 |
| Derivative Assets | 6.4 | 6.4 | — | — | 10.5 | 10.5 | — | — |
| Other | 88.2 | 9.9 | 19.5 | 2.9 | 135.6 | 6.8 | 16.7 | 21.2 |
| Total Deferred Tax Liabilities | $ 7,443.4 | $ 2,462.4 | $ 2,481.5 | $ 851.1 | $ 6,941.0 | $ 2,297.0 | $ 2,327.0 | $ 743.5 |

(1) As of December 31, 2023, the Eversource Valuation Allowance of $328.1 million includes $224.0 million related to the impairment of Eversource's offshore wind investments.

*2022 Federal Legislation:* On August 16, 2022, the Inflation Reduction Act of 2022 (IRA) was signed into law. This is a broad package of legislation that includes incentives and support for clean energy resource development. Most notable for Eversource, the investment tax credit (ITC) on offshore wind projects increases from 30 percent to 40 percent if certain requirements for labor and domestic content are met. The act also re-establishes the production tax credit for solar and wind energy projects, gives increased credit for projects in certain communities, and sets credits for qualifying clean energy generation and energy storage projects. The tax provisions of the IRA provide additional incentives for offshore wind projects and could reduce retail electricity costs for our customers related to those clean energy investments. The IRA includes other tax provisions focused on implementing a 15 percent minimum tax on adjusted financial statement income and a one percent excise tax on corporate share repurchases. The Department of Treasury and the Internal Revenue Service issued some guidance during 2023; however, they are expected to issue additional needed guidance with respect to the application of the newly enacted IRA provisions in the future. We will continue to monitor and evaluate impacts on our consolidated financial statements. We currently do not expect the alternative minimum tax change to have a material impact on our earnings, financial condition or cash flows.

*Carryforwards:* The following table provides the amounts and expiration dates of state tax credit and loss carryforwards and federal tax credit and net operating loss carryforwards:

| | As of December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | | 2022 | | | | |
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Expiration Range | Eversource | CL&P | NSTAR Electric | PSNH | Expiration Range |
| State Net Operating Loss | $ 243.4 | $ — | $ — | $ — | 2023 - 2041 | $ 288.1 | $ — | $ — | $ — | 2022 - 2041 |
| State Tax Credit | 228.5 | 157.5 | — | — | 2023 - 2028 | 204.5 | 137.7 | — | — | 2022 - 2027 |
| State Charitable Contribution | 7.9 | — | — | — | 2023 - 2027 | 20.1 | — | — | — | 2022 - 2026 |

In 2023, the Company increased its valuation allowance reserve for state credits by $21.3 million ($17.3 million for CL&P), net of tax, to reflect an update for expiring tax credits. In 2022, the Company increased its valuation allowance reserve for state credits by $21.3 million ($18.8 million for CL&P), net of tax, to reflect an update for expiring tax credits.

For 2023, state credit and state loss carryforwards have been partially reserved by a valuation allowance of $104.1 million (net of tax) and for 2022, state credit and state loss carryforwards were partially reserved by a valuation allowance of $82.8 million (net of tax).

*Unrecognized Tax Benefits:* A reconciliation of the activity in unrecognized tax benefits, all of which would impact the effective tax rate if recognized, is as follows:

| *(Millions of Dollars)* | Eversource | CL&P |
|---|---|---|
| Balance as of January 1, 2021 | $ 61.8 | $ 25.8 |
| Gross Increases - Current Year | 11.3 | 3.8 |
| Gross Decreases - Prior Year | (0.3) | (0.6) |
| Lapse of Statute of Limitations | (7.0) | (2.8) |
| Balance as of December 31, 2021 | 65.8 | 26.2 |
| Gross Increases - Current Year | 11.5 | 3.5 |
| Gross Decreases - Prior Year | (2.4) | (0.9) |
| Lapse of Statute of Limitations | (7.8) | (3.3) |
| Balance as of December 31, 2022 | 67.1 | 25.5 |
| Gross Increases - Current Year | 23.4 | 4.0 |
| Gross Increases - Prior Year | 0.1 | 0.1 |
| Gross Decreases - Prior Year | (0.1) | — |
| Lapse of Statute of Limitations | (9.2) | (3.8) |
| Balance as of December 31, 2023 | $ 81.3 | $ 25.8 |

*Interest and Penalties:* Interest on uncertain tax positions is recorded and generally classified as a component of Other Interest Expense on the statements of income. However, when resolution of uncertainties results in the Company receiving interest income, any related interest benefit is recorded in Other Income, Net on the statements of income. No penalties have been recorded. The amount of interest expense recognized on uncertain tax positions was $0.3 million for the year ended December 31, 2023. There was no interest expense/(income) recognized on uncertain tax positions for the years ended December 31, 2022 or 2021. Accrued interest payable was $0.4 million and $0.1 million as of December 31, 2023 and 2022, respectively.

*Tax Positions:* During 2023 and 2022, Eversource did not resolve any of its uncertain tax positions.

*Open Tax Years:* The following table summarizes Eversource, CL&P, NSTAR Electric, and PSNH's tax years that remain subject to examination by major tax jurisdictions as of December 31, 2023:

| Description | Tax Years |
|---|---|
| Federal | 2023 |
| Connecticut | 2020 - 2023 |
| Massachusetts | 2020 - 2023 |
| New Hampshire | 2020 - 2023 |

Eversource does not estimate to have an earnings impact related to unrecognized tax benefits during the next twelve months.

## 13. COMMITMENTS AND CONTINGENCIES

### A. Environmental Matters

Eversource, CL&P, NSTAR Electric and PSNH are subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or the remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current and former operating sites. Eversource, CL&P, NSTAR Electric and PSNH have an active environmental auditing and training program and each believes it is substantially in compliance with all enacted laws and regulations.

Environmental reserves are accrued when assessments indicate it is probable that a liability has been incurred and an amount can be reasonably estimated. The approach used estimates the liability based on the most likely action plan from a variety of available remediation options, including no action required or several different remedies ranging from establishing institutional controls to full site remediation and monitoring. These liabilities are estimated on an undiscounted basis and do not assume that the amounts are recoverable from insurance companies or other third parties. The environmental reserves include sites at different stages of discovery and remediation and do not include any unasserted claims.

These reserve estimates are subjective in nature as they take into consideration several different remediation options at each specific site. The reliability and precision of these estimates can be affected by several factors, including new information concerning either the level of contamination at the site, the extent of Eversource's, CL&P's, NSTAR Electric's and PSNH's responsibility for remediation or the extent of remediation required, recently enacted laws and regulations or changes in cost estimates due to certain economic factors. It is possible that new information or future developments could require a reassessment of the potential exposure to required environmental remediation. As this information becomes available, management will continue to assess the potential exposure and adjust the reserves accordingly.

The amounts recorded as environmental reserves are included in Other Current Liabilities and Other Long-Term Liabilities on the balance sheets and represent management's best estimate of the liability for environmental costs, and take into consideration site assessment, remediation and long-term monitoring costs. The environmental reserves also take into account recurring costs of managing hazardous substances and pollutants, mandated expenditures to remediate contaminated sites and any other infrequent and non-recurring clean-up costs. A reconciliation of the activity in the environmental reserves is as follows:

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| Balance as of January 1, 2022 | $ 115.4 | $ 13.9 | $ 3.3 | $ 6.3 |
| Additions | 12.6 | 0.9 | 0.4 | 0.5 |
| Payments/Reductions | (5.4) | (0.9) | (0.3) | (0.7) |
| Balance as of December 31, 2022 | 122.6 | 13.9 | 3.4 | 6.1 |
| Additions | 16.8 | 2.6 | 2.5 | 1.7 |
| Payments/Reductions | (11.2) | (2.7) | (0.5) | (0.2) |
| Balance as of December 31, 2023 | $ 128.2 | $ 13.8 | $ 5.4 | $ 7.6 |

The number of environmental sites for which remediation or long-term monitoring, preliminary site work or site assessment is being performed are as follows:

| | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| 2023 | 65 | 16 | 12 | 8 |
| 2022 | 59 | 13 | 10 | 8 |

The increase in the reserve balance was due primarily to the addition of one environmental site at NSTAR Gas, two additional sites at NSTAR Electric, three additional sites at CL&P, and changes in cost estimates at certain MGP sites at our natural gas companies and PSNH for which additional remediation will be required.

Included in the number of sites and reserve amounts above are former MGP sites that were operated several decades ago and manufactured natural gas from coal and other processes, which resulted in certain by-products remaining in the environment that may pose a potential risk to human health and the environment, for which Eversource may have potential liability. The reserve balances related to these former MGP sites were $117.1 million and $112.6 million as of December 31, 2023 and 2022, respectively, and related primarily to the natural gas business segment.

As of December 31, 2023, for 19 environmental sites (11 for CL&P and 1 for NSTAR Electric) that are included in the Company's reserve for environmental costs, management cannot reasonably estimate the exposure to loss in excess of the reserve, or range of loss, as these sites are under investigation and/or there is significant uncertainty as to what remedial actions, if any, the Company may be required to undertake. As of December 31, 2023, $39.9 million (including $12.6 million for CL&P and $0.3 million for NSTAR Electric) had been accrued as a liability for these sites.

As of December 31, 2023, for 7 environmental sites (1 for CL&P) that are included in the Company's reserve for environmental costs, the information known and the nature of the remediation options allow for the Company to estimate the range of losses for environmental costs. As of December 31, 2023, $29.4 million (including $0.4 million for CL&P) has been accrued as a liability for these sites, which represents the low end of the range of the liabilities for environmental costs. Management believes that additional losses of up to approximately $17.7 million ($0.5 million at CL&P) may be incurred in executing current remediation plans for these sites.

As of December 31, 2023, for the remaining 39 environmental sites (including 4 for CL&P, 11 for NSTAR Electric and 8 for PSNH) that are included in the Company's reserve for environmental costs, the $58.9 million accrual (including $0.8 million for CL&P, $5.1 million for NSTAR Electric and $7.6 million for PSNH) represents management's best estimate of the probable liability and no additional loss is estimable at this time.

PSNH, NSTAR Gas, EGMAand Yankee Gas have rate recovery mechanisms for MGP related environmental costs, therefore, changes in their respective environmental reserves do not impact Net Income. CL&P is allowed to defer certain environmental costs for future recovery. NSTAR Electric does not have a separate environmental cost recovery regulatory mechanism.

**B. Long-Term Contractual Arrangements**

*Estimated Future Annual Costs:* The estimated future annual costs of significant executed, non-cancelable, long-term contractual arrangements in effect as of December 31, 2023 are as follows:

**Eversource**

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Renewable Energy Purchase Contracts | $ 769.4 | $ 863.0 | $ 867.9 | $ 897.6 | $ 893.1 | $ 5,368.8 | $ 9,659.8 |
| Natural Gas Procurement | 423.2 | 402.3 | 317.8 | 264.8 | 236.0 | 1,211.8 | 2,855.9 |
| Purchased Power and Capacity | 86.7 | 75.2 | 2.9 | 2.7 | 2.7 | 4.5 | 174.7 |
| Peaker CfDs | 17.2 | 14.1 | 12.8 | 9.1 | 6.8 | 43.7 | 103.7 |
| Transmission Support Commitments | 19.3 | 22.2 | 27.4 | 31.1 | 31.1 | 31.1 | 162.2 |
| Total | $ 1,315.8 | $ 1,376.8 | $ 1,228.8 | $ 1,205.3 | $ 1,169.7 | $ 6,659.9 | $ 12,956.3 |

**CL&P**

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Renewable Energy Purchase Contracts | $ 618.8 | $ 628.3 | $ 628.0 | $ 631.2 | $ 632.2 | $ 2,087.8 | $ 5,226.3 |
| Purchased Power and Capacity | 83.8 | 72.4 | 0.1 | — | — | — | 156.3 |
| Peaker CfDs | 17.2 | 14.1 | 12.8 | 9.1 | 6.8 | 43.7 | 103.7 |
| Transmission Support Commitments | 7.6 | 8.8 | 10.8 | 12.3 | 12.3 | 12.3 | 64.1 |
| Total | $ 727.4 | $ 723.6 | $ 651.7 | $ 652.6 | $ 651.3 | $ 2,143.8 | $ 5,550.4 |

**NSTAR Electric**

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Renewable Energy Purchase Contracts | $ 123.0 | $ 202.9 | $ 206.5 | $ 209.3 | $ 205.1 | $ 2,983.5 | $ 3,930.3 |
| Purchased Power and Capacity | 2.9 | 2.8 | 2.8 | 2.7 | 2.7 | 4.5 | 18.4 |
| Transmission Support Commitments | 7.6 | 8.7 | 10.8 | 12.3 | 12.3 | 12.3 | 64.0 |
| Total | $ 133.5 | $ 214.4 | $ 220.1 | $ 224.3 | $ 220.1 | $ 3,000.3 | $ 4,012.7 |

**PSNH**

| *(Millions of Dollars)* | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Renewable Energy Purchase Contracts | $ 27.6 | $ 31.8 | $ 33.4 | $ 57.1 | $ 55.8 | $ 297.5 | $ 503.2 |
| Transmission Support Commitments | 4.1 | 4.7 | 5.8 | 6.5 | 6.5 | 6.5 | 34.1 |
| Total | $ 31.7 | $ 36.5 | $ 39.2 | $ 63.6 | $ 62.3 | $ 304.0 | $ 537.3 |

The contractual obligations table above does not include CL&P's, NSTAR Electric's or PSNH's standard/basic service contracts for the purchase of energy supply, the amounts of which vary with customers' energy needs.

*Renewable Energy Purchase Contracts:* Renewable energy purchase contracts include non-cancellable commitments under contracts of CL&P, NSTAR Electric and PSNH for the purchase of energy and capacity from renewable energy facilities. Such contracts extend through 2044 for CL&P and NSTAR Electric and 2033 for PSNH.

Renewable Energy and Purchase Contracts includes long-term commitments of NSTAR Electric pertaining to the Vineyard Wind LLC contract awarded under the Massachusetts Clean Energy 83C procurement solicitation. NSTAR Electric, along with other Massachusetts distribution companies, entered into 20-year contracts to purchase electricity generated by this 800 megawatt offshore wind project. Construction on the Vineyard Wind project commenced in 2022. Estimated energy costs under this contract are expected to begin when the facilities are in service in 2024 and range between $100 million and $200 million per year under NSTAR Electric's 20-year contract, totaling approximately $2.6 billion.

As required by 2018 regulation, CL&P and UI each entered into PURA-approved ten-year contracts in 2019 to purchase a combined total of approximately 9 million MWh annually from the Millstone Nuclear Power Station generation facility, which represents a combined amount of approximately 50 percent of the facility's output (approximately 40 percent by CL&P). Also as required by 2018 regulation, CL&P and UI each entered into PURA-approved eight-year contracts in 2019 to purchase a combined amount of approximately 18 percent of the Seabrook Nuclear Power Plant's output (approximately 15 percent by CL&P) beginning January 1, 2022. The total estimated remaining future cost of the Millstone Nuclear Power Station and Seabrook Nuclear Power Plant energy purchase contracts are $2.4 billion and are reflected in the table above. CL&P sells the energy purchased under these contracts into the market and uses the proceeds from these energy sales to offset the contract costs. As the net costs under these contracts are recovered from customers in future rates, the contracts do not have an impact on the net income of CL&P. These contracts do not meet the definition of a derivative, and accordingly, the costs of these contracts are being accounted for as incurred.

The contractual obligations table above does not include long-term commitments signed by CL&P and NSTAR Electric, as required by the PURA and the DPU, respectively, for the purchase of renewable energy and related products that are contingent on the future construction of energy facilities, such as the long-term commitments of NSTAR Electric pertaining to the Massachusetts Clean Energy 83D contract entered into in 2018.

*Natural Gas Procurement:* Eversource's natural gas distribution businesses have long-term contracts for the purchase, transportation and storage of natural gas as part of its portfolio of supplies, which extend through 2045.

*Purchased Power and Capacity:* These contracts include capacity CfDs with generation facilities at CL&P through 2026, and various IPP contracts or purchase obligations for electricity which extend through 2024 for CL&P and 2031 for NSTAR Electric. CL&P's portion of the costs and benefits under these capacity contracts are recovered from, or refunded to, CL&P's customers.

*Peaker CfDs:* CL&P, along with UI, has three peaker CfDs for a total of approximately 500 MW of peaking capacity through 2042. CL&P has a sharing agreement with UI, whereby CL&P is responsible for 80 percent and UI for 20 percent of the net costs or benefits of these CfDs. The Peaker CfDs pay the generation facility owner the difference between capacity, forward reserve and energy market revenues and a cost-of-service payment stream for 30 years. The ultimate cost or benefit to CL&P under these contracts will depend on the costs of plant operation and the prices that the projects receive for capacity and other products in the ISO-NE markets. CL&P's portion of the amounts paid or received under the Peaker CfDs are recovered from, or refunded to, CL&P's customers.

*Transmission Support Commitments:* Along with other New England utilities, CL&P, NSTAR Electric and PSNH have entered into agreements to support the costs of, and receive rights to use, transmission and terminal facilities that import electricity from the Hydro-Québec system in Canada. CL&P, NSTAR Electric and PSNH are obligated to pay, over a 20-year period ending in 2040, their proportionate shares of the annual operation and maintenance expenses and capital costs of those facilities.

The total costs incurred under these agreements were as follows:

| **Eversource** | **For the Years Ended December 31,** | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2023** | **2022** | **2021** |
| Renewable Energy Purchase Contracts | $ 581.4 | $ 678.1 | $ 609.2 |
| Natural Gas Procurement | 695.8 | 1,042.8 | 712.7 |
| Purchased Power and Capacity | 69.0 | 61.6 | 56.4 |
| Peaker CfDs | 20.1 | 13.4 | 24.3 |
| Transmission Support Commitments | 14.2 | 12.7 | 15.4 |

| | **For the Years Ended December 31,** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | | | **2022** | | | **2021** | | |
| *(Millions of Dollars)* | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** |
| Renewable Energy Purchase Contracts | $ 474.1 | $ 60.0 | $ 47.3 | $ 513.2 | $ 90.8 | $ 74.1 | $ 457.1 | $ 84.7 | $ 67.4 |
| Purchased Power and Capacity | 65.5 | 2.9 | 0.6 | 57.7 | 3.0 | 0.9 | 53.1 | 3.0 | 0.3 |
| Peaker CfDs | 20.1 | — | — | 13.4 | — | — | 24.3 | — | — |
| Transmission Support Commitments | 5.6 | 5.6 | 3.0 | 5.0 | 5.0 | 2.7 | 6.1 | 6.0 | 3.3 |

## C. Spent Nuclear Fuel Obligations - Yankee Companies

CL&P, NSTAR Electric and PSNH have plant closure and fuel storage cost obligations to the Yankee Companies, which have each completed the physical decommissioning of their respective nuclear power facilities and are now engaged in the long-term storage of their spent fuel. The Yankee Companies fund these costs through litigation proceeds received from the DOE and, to the extent necessary, through wholesale, FERC-approved rates charged under power purchase agreements with several New England utilities, including CL&P, NSTAR Electric and PSNH. CL&P, NSTAR Electric and PSNH, in turn recover these costs from their customers through state regulatory commission-approved retail rates. The Yankee Companies collect amounts that management believes are adequate to recover the remaining plant closure and fuel storage cost estimates for the respective plants. Management believes CL&P and NSTAR Electric will recover their shares of these obligations from their customers. PSNH has recovered its total share of these costs from its customers.

*Spent Nuclear Fuel Litigation:*
The Yankee Companies have filed complaints against the DOE in the Court of Federal Claims seeking monetary damages resulting from the DOE's failure to accept delivery of, and provide for a permanent facility to store, spent nuclear fuel pursuant to the terms of the 1983 spent fuel and high-level waste disposal contracts between the Yankee Companies and the DOE. The court previously awarded the Yankee Companies damages for Phases I, II, III and IV of litigation resulting from the DOE's failure to meet its contractual obligations. These Phases covered damages incurred in the years 1998 through 2016, and the awarded damages have been received by the Yankee Companies with certain amounts of the damages refunded to their customers.

*DOE Phase V Damages* - On March 25, 2021, each of the Yankee Companies filed a fifth set of lawsuits against the DOE in the Court of Federal Claims resulting from the DOE's failure to begin accepting spent nuclear fuel for disposal covering the years from 2017 to 2020. The Yankee Companies filed claims seeking monetary damages totaling $120.4 million for CYAPC, YAEC and MYAPC. Pursuant to a June 2, 2022 court order, the Yankee Companies were subsequently permitted to include monetary damages relating to the year 2021 in the DOE Phase Vcomplaint. The Yankee Companies submitted a supplemental filing to include these costs of $33.1 million on June 8, 2022. The DOE Phase V trial is expected to begin in the spring of 2024.

## D. Guarantees and Indemnifications

In the normal course of business, Eversource parent provides credit assurances on behalf of its subsidiaries, including CL&P, NSTAR Electric and PSNH, in the form of guarantees. Management does not anticipate a material impact to net income or cash flows as a result of these various guarantees and indemnifications.

Guarantees issued on behalf of unconsolidated entities, including equity method offshore wind investments, for which Eversource parent is the guarantor, are recorded at fair value as a liability on the balance sheet at the inception of the guarantee. The fair value of guarantees issued on behalf of unconsolidated entities are recorded within Other Long-Term Liabilities on the balance sheet, and were $4.4 million and $4.2 million as of December 31, 2023 and 2022, respectively. Eversource regularly reviews performance risk under these guarantee arrangements, and believes the likelihood of payments being required under the guarantees is remote. In the event it becomes probable that Eversource parent will be required to perform under the guarantee, the amount of probable payment will be recorded.

The following table summarizes Eversource parent's exposure to guarantees and indemnifications of its subsidiaries and affiliates to external parties, and primarily relates to its offshore wind business:

**As of December 31, 2023**

| Company (Obligor) | Description | Maximum Exposure (in millions) | |
|---|---|---|---|
| North East Offshore, LLC, Sunrise Wind LLC, Revolution Wind, LLC and South Fork Wind, LLC | Offshore wind construction-related purchase agreements with third-party contractors [1] | $ | 1,941.1 |
| Eversource Investment LLC and South Fork Class B Member, LLC | Funding and indemnification obligations of South Fork Wind and North East Offshore, LLC [2] | | 485.9 |
| Sunrise Wind LLC | OREC capacity production [3] | | 11.0 |
| South Fork Wind, LLC | Power Purchase Agreement Security [4] | | 7.1 |
| Eversource Investment LLC | Letters of Credit [5] | | 15.2 |
| Eversource TEI LLC | South Fork Wind Tax Equity [6] | | — |
| Various | Surety bonds [7] | | 38.8 |
| Sunrise Wind LLC | Surety bonds [8] | | 20.5 |

[1] Eversource parent issued guarantees on behalf of its 50 percent-owned affiliates, North East Offshore, LLC (NEO), Sunrise Wind LLC, Revolution Wind, LLC and South Fork Wind, LLC, under which Eversource parent agreed to guarantee each entity’s performance of obligations under certain construction-related purchase agreements with third-party contractors, in an aggregate amount not to exceed $3.03 billion. Eversource parent’s obligations under the guarantees expire upon the earlier of (i) dates ranging between May 2024 and October 2028 and (ii) full performance of the guaranteed obligations. Eversource parent also issued a separate guarantee to Ørsted on behalf of NEO, under which Eversource parent agreed to guarantee 50 percent of NEO’s payment obligations under certain offshore wind project construction-related agreements with Ørsted in an aggregate amount not to exceed $62.5 million and expiring upon full performance of the guaranteed obligation.

[2] Eversource parent issued guarantees on behalf of its wholly-owned subsidiary Eversource Investment LLC (EI), which holds Eversource's investments in offshore wind-related equity method investments, and on behalf of its 50 percent-owned affiliate, South Fork Class B Member, LLC, whereby Eversource parent will guarantee each entity’s performance of certain capital expenditure funding obligations during the construction phases of the South Fork Wind project and NEO’s underlying offshore wind projects. Eversource parent also guaranteed certain indemnification obligations of EI associated with third party credit support for EI’s investment in NEO. These guarantees will not exceed $1.52 billion and expire upon the full performance of the guaranteed obligations.

(3) Eversource parent issued a guarantee on behalf of its 50 percent-owned affiliate, Sunrise Wind LLC, whereby Eversource parent will guarantee Sunrise Wind LLC's performance of certain obligations, in an amount not to exceed $15.4 million, under the Offshore Wind Renewable Energy Certificate Purchase and Sale Agreement (the Agreement). The Agreement was executed by and between the New York State Energy Research and Development Authority (NYSERDA) and Sunrise Wind LLC. The guarantee expires upon the full performance of the guaranteed obligations. Effective January 1, 2024, the maximum exposure under the guarantee increased from $11.0 million to $15.4 million.

(4) Eversource parent issued a guarantee on behalf of its 50 percent-owned affiliate, South Fork Wind, LLC, whereby Eversource parent will guarantee South Fork Wind, LLC's performance of certain obligations, in an amount not to exceed $7.1 million, under a Power Purchase Agreement between the Long Island Power Authority and South Fork Wind, LLC (the Agreement). The guarantee expires upon the later of (i) the end of the Agreement term and (ii) full performance of the guaranteed obligations.

(5) Eversource parent entered into a guarantee on behalf of EI, under which Eversource parent would guarantee EI's obligations under a letter of credit facility with a financial institution that EI may request in an aggregate amount of up to approximately $25 million. As of December 31, 2023, EI has issued letters of credit on behalf of South Fork Wind, LLC, Sunrise Wind LLC and Revolution Wind, LLC totaling $15.2 million. In January 2024, EI issued two additional letters of credit on behalf of Sunrise Wind LLC totaling $8.0 million. The guarantee will remain in effect until full performance of the guaranteed obligations.

(6) Eversource parent issued a guarantee on behalf of its wholly-owned subsidiary, Eversource TEI LLC, whereby Eversource parent will guarantee Eversource TEI LLC’s performance of certain obligations, in an amount not to exceed $528.4 million, primarily in connection with tax equity funding obligations during the construction phase of the South Fork Wind project. Eversource parent’s obligations expire upon the full performance of the guaranteed obligations.

(7) Surety bonds expire in 2024. Expiration dates reflect termination dates, the majority of which will be renewed or extended. Certain surety bonds contain credit ratings triggers that would require Eversource parent to post collateral in the event that the unsecured debt credit ratings of Eversource parent are downgraded.

(8) In December 2023, Sunrise Wind LLC issued a surety bond related to future decommissioning obligations of certain onshore transmission assets in the amount of $20.5 million. The surety bond shall remain outstanding until full performance of the obligations.

**E. FERC ROE Complaints**

Four separate complaints were filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively, the Complainants). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE billed of 10.57 percent and the maximum ROE for transmission incentive (incentive cap) of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

The ROE originally billed during the period October 1, 2011 (beginning of the first complaint period) through October 15, 2014 consisted of a base ROE of 11.14 percent and incentives up to 13.1 percent. On October 16, 2014, FERC issued Opinion No. 531-A and set the base ROE at 10.57 percent and the incentive cap at 11.74 percent for the first complaint period. This was also effective for all prospective billings to customers beginning October 16, 2014. This FERC order was vacated on April 14, 2017 by the U.S. Court of Appeals for the D.C. Circuit (the Court).

All amounts associated with the first complaint period have been refunded, which totaled $38.9 million (pre-tax and excluding interest) at Eversource and reflected both the base ROE and incentive cap prescribed by the FERC order. The refund consisted of $22.4 million for CL&P, $13.7 million for NSTAR Electric and $2.8 million for PSNH.

Eversource has recorded a reserve of $39.1 million (pre-tax and excluding interest) for the second complaint period as of both December 31, 2023 and 2022. This reserve represents the difference between the billed rates during the second complaint period and a 10.57 percent base ROE and 11.74 percent incentive cap. The reserve consisted of $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH as of both December 31, 2023 and 2022.

On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE. Initial briefs were filed by the NETOs, Complainants and FERC Trial Staff on January 11, 2019 and reply briefs were filed on March 8, 2019. The NETOs' brief was supportive of the overall ROE methodology determined in the October 16, 2018 order provided the FERC does not change the proposed methodology or alter its implementation in a manner that has a material impact on the results.

The FERC order included illustrative calculations for the first complaint using FERC's proposed frameworks with financial data from that complaint. Those illustrative calculations indicated that for the first complaint period, for the NETOs, which FERC concludes are of average financial risk, the preliminary just and reasonable base ROE is 10.41 percent and the preliminary incentive cap on total ROE is 13.08 percent. If the results of the illustrative calculations were included in a final FERC order for each of the complaint periods, then a 10.41 percent base ROE and a 13.08 percent incentive cap would not have a significant impact on our financial statements for all of the complaint periods. These preliminary calculations are not binding and do not represent what we believe to be the most likely outcome of a final FERC order.

On November 21, 2019, FERC issued Opinion No. 569 affecting the two pending transmission ROE complaints against the Midcontinent ISO (MISO) transmission owners, in which FERC adopted a new methodology for determining base ROEs. Various parties sought rehearing. On December 23, 2019, the NETOs filed supplementary materials in the NETOs' four pending cases to respond to this new methodology because of the uncertainty of the applicability to the NETOs' cases. On May 21, 2020, the FERC issued its order in Opinion No. 569-A on the rehearing of the MISO transmission owners' cases, in which FERC again changed its methodology for determining the MISO transmission owners' base ROEs. On November 19, 2020, the FERC issued Opinion No. 569-B denying rehearing of Opinion No. 569-A and reaffirmed the methodology previously adopted in Opinion No. 569-A. The new methodology differs significantly from the methodology proposed by FERC in its October 16, 2018 order to determine the NETOs' base ROEs in its four pending cases. FERC Opinion Nos. 569-A and 569-B were appealed to the Court. On August 9, 2022, the Court issued its decision vacating MISO ROE FERC Opinion Nos. 569, 569-A and 569-B and remanded to FERC to reopen the proceedings. The Court found that FERC's development of the new return methodology was arbitrary and capricious due to FERC's failure to offer a reasonable explanation for its decision to reintroduce the risk-premium financial model in its new methodology for calculating a just and reasonable return. At this time, Eversource cannot predict how and when FERC will address the Court's findings on the remand of the MISO FERC opinions or any potential associated impact on the NETOs' four pending ROE complaint cases.

Given the significant uncertainty regarding the applicability of the FERC opinions in the MISO transmission owners' two complaint cases to the NETOs' pending four complaint cases, Eversource concluded that there is no reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods at this time. As well, Eversource cannot reasonably estimate a range of loss for any of the four complaint proceedings at this time. Eversource, CL&P, NSTAR Electric and PSNH currently record revenues at the 10.57 percent base ROE and incentive cap at 11.74 percent established in the October 16, 2014 FERC order.

A change of 10 basis points to the base ROE used to establish the reserves would impact Eversource's after-tax earnings by an average of approximately $3 million for each of the four 15-month complaint periods.

**F. CL&P Regulatory Matters**

*CL&P Tropical Storm Isaias Response Investigation:* On April 28, 2021, PURA issued a final decision on CL&P's compliance with its emergency response plan that concluded CL&P failed to comply with certain storm performance standards and was imprudent in certain instances regarding its preparation for, and response to, Tropical Storm Isaias. Based on its findings, PURA ordered CL&P to adjust its future rates in a pending or future rate proceeding to reflect a monetary penalty in the form of a downward adjustment of 90 basis points in its allowed rate of return on equity (ROE), which is currently 9.25 percent. On July 14, 2021, PURA issued a final decision in a penalty proceeding that included an assessment of $28.6 million, consisting of a $28.4 million civil penalty for non-compliance with storm performance standards to be provided as credits on customer bills and a $0.2 million fine for violations of accident reporting requirements to be paid to the State of Connecticut's general fund. The $28.4 million performance penalty was credited to customers on electric bills beginning on September 1, 2021 over a one-year period. The $28.4 million is the maximum statutory penalty amount under applicable Connecticut law in effect at the time of Tropical Storm Isaias, which is 2.5 percent of CL&P's annual distribution revenues. The liability for the performance penalty was recorded as a current regulatory liability on CL&P's balance sheet and as a reduction to Operating Revenues on the year ended December 31, 2021 statement of income.

*CL&P Settlement Agreement:* On October 1, 2021, CL&P entered into a settlement agreement with the DEEP, Office of Consumer Counsel, Office of the Attorney General and the Connecticut Industrial Energy Consumers, resolving certain issues that arose in then-pending regulatory proceedings initiated by PURA. PURA approved the settlement agreement on October 27, 2021. In the settlement agreement, CL&P agreed to provide a total of $65 million of customer credits, which were distributed based on customer sales over a two-month billing period from December 1, 2021 to January 31, 2022. CL&P also agreed to irrevocably set aside $10 million in a customer assistance fund to provide bill payment assistance to certain existing non-hardship and hardship customers carrying arrearages, as approved by PURA, with the objective of disbursing the funds prior to April 30, 2022. Those customers were provided with $10 million of bill forgiveness in the first quarter of 2022. CL&P recorded a current regulatory liability of $75 million on the balance sheet associated with the provisions of the settlement agreement, with a $65 million pre-tax charge as a reduction to Operating Revenues associated with the customer credits and a $10 million charge to Operations and Maintenance expense associated with the customer assistance fund on the year ended December 31, 2021 statement of income.

In exchange for the $75 million of customer credits and assistance, PURA's interim rate reduction docket was resolved without findings. As a result of the settlement agreement, neither the 90 basis point reduction to CL&P's return on equity introduced in PURA's storm-related decision issued April 28, 2021, nor the 45 basis point reduction to CL&P's return on equity included in PURA's decision issued September 14, 2021 in the interim rate reduction docket, will be implemented. CL&P also agreed to freeze its current base distribution rates, subject to the customer credits described above, until no earlier than January 1, 2024. The rate freeze applied only to base distribution rates (including storm costs) and not to other rate mechanisms such as the retail rate components, rate reconciling mechanisms, formula rates and any other adjustment mechanisms. The rate freeze also did not apply to any cost recovery mechanism outside of the base distribution rates with regard to grid-modernization initiatives or any other proceedings that were either pending or that could be initiated during the rate freeze period, that could have placed additional obligations on CL&P. The approval of the settlement agreement satisfied the Connecticut statute of rate review requirements that requires electric utilities to file a distribution rate case within four years of the last rate case.

As part of the settlement agreement, CL&P agreed to withdraw with prejudice its pending appeals of PURA's decisions dated April 28, 2021 and July 14, 2021 related to Storm Isaias and agreed to waive its right to file an appeal and seek a judicial stay of the September 14, 2021 decision in the interim rate reduction docket. The settlement agreement assures that CL&P will have the opportunity to petition for and demonstrate the prudency of the storm costs incurred to respond to customer outages associated with Storm Isaias in a future ratemaking proceeding.

The cumulative pre-tax impact of the settlement agreement and the Storm Isaias assessment imposed in PURA's April 28, 2021 and July 14, 2021 decisions totaled $103.6 million, and the after-tax earnings impact was $86.1 million, or $0.25 per share, for the year ended December 31, 2021.

**G. Litigation and Legal Proceedings**

Eversource, including CL&P, NSTAR Electric and PSNH, are involved in legal, tax and regulatory proceedings regarding matters arising in the ordinary course of business, which involve management's assessment to determine the probability of whether a loss will occur and, if probable, its best estimate of probable loss. The Company records and discloses losses when these losses are probable and reasonably estimable, and discloses matters when losses are probable but not estimable or when losses are reasonably possible. Legal costs related to the defense of loss contingencies are expensed as incurred.

## 14. LEASES

Eversource, including CL&P, NSTAR Electric and PSNH, has entered into lease agreements as a lessee for the use of land, office space, service centers, vehicles, information technology, and equipment. These lease agreements are classified as either finance or operating leases and the liability and right-of-use asset are recognized on the balance sheet at lease commencement. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

Eversource determines whether or not a contract contains a lease based on whether or not it provides Eversource with the use of a specifically identified asset for a period of time, as well as both the right to direct the use of that asset and receive the significant economic benefits of the asset. Eversource has elected the practical expedient to not separate non-lease components from lease components and instead to account for both as a single lease component, with the exception of the information technology asset class where the lease and non-lease components are separated.

The provisions of Eversource, CL&P, NSTAR Electric and PSNH lease agreements contain renewal options. The renewal options range from one year to twenty years. The renewal period is included in the measurement of the lease liability if it is reasonably certain that Eversource will exercise these renewal options.

For leases entered into or modified after the January 1, 2019 implementation date of the leases standard under Topic 842, the discount rate utilized for classification and measurement purposes as of the inception date of the lease is based on each company's collateralized incremental interest rate to borrow over a comparable term for an individual lease because the rate implicit in the lease is not determinable.

CL&P and PSNH entered into certain contracts for the purchase of energy that qualify as leases. These contracts do not have minimum lease payments and therefore are not recognized as a lease liability on the balance sheet and are not reflected in the future minimum lease payments table below. Expense related to these contracts is included as variable lease cost in the table below. The expense and long-term obligation for these contracts are also included in Note 13B, "Commitments and Contingencies - Long-Term Contractual Arrangements," to the financial statements.

The components of lease cost, prior to amounts capitalized, are as follows:

| **Eversource** | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2023** | **2022** | **2021** |
| Finance Lease Cost: | | | |
| Amortization of Right-of-use-Assets | $ 4.8 | $ 8.3 | $ 4.6 |
| Interest on Lease Liabilities | 2.0 | 2.0 | 3.9 |
| Total Finance Lease Cost | 6.8 | 10.3 | 8.5 |
| Operating Lease Cost | 11.4 | 11.6 | 12.2 |
| Variable Lease Cost | 69.2 | 78.1 | 61.0 |
| Total Lease Cost | $ 87.4 | $ 100.0 | $ 81.7 |

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | | | **2022** | | | **2021** | | |
| *(Millions of Dollars)* | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** |
| Finance Lease Cost: | | | | | | | | | |
| Amortization of Right-of-use-Assets | $ — | $ 0.2 | $ — | $ — | $ 0.2 | $ 0.1 | $ 0.5 | $ 0.2 | $ 0.1 |
| Interest on Lease Liabilities | — | 0.6 | — | — | 0.6 | — | 0.1 | 0.6 | — |
| Total Finance Lease Cost | — | 0.8 | — | — | 0.8 | 0.1 | 0.6 | 0.8 | 0.1 |
| Operating Lease Cost | 0.7 | 3.0 | 0.4 | 0.3 | 2.3 | 0.1 | 0.3 | 2.3 | 0.1 |
| Variable Lease Cost | 21.9 | — | 47.3 | 25.6 | — | 52.5 | 16.2 | — | 44.8 |
| Total Lease Cost | $ 22.6 | $ 3.8 | $ 47.7 | $ 25.9 | $ 3.1 | $ 52.7 | $ 17.1 | $ 3.1 | $ 45.0 |

Operating lease cost, net of the capitalized portion, is included in Operations and Maintenance (or Purchased Power, Purchased Natural Gas and Transmission expense for transmission leases) on the statements of income. Amortization of finance lease assets is included in Depreciation on the statements of income. Interest expense on finance leases is included in Interest Expense on the statements of income.

Supplemental balance sheet information related to leases is as follows:

| *(Millions of Dollars)* | Balance Sheet Classification | As of December 31, 2023 Eversource | CL&P | NSTAR Electric | PSNH | As of December 31, 2022 Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|---|---|---|---|---|
| Operating Leases: | | | | | | | | | |
| Right-of-use-Assets, Net | Other Long-Term Assets | $ 53.5 | $ 2.2 | $ 27.7 | $ 4.7 | $ 56.9 | $ 2.2 | $ 22.5 | $ — |
| Operating Lease Liabilities | | | | | | | | | |
| Current Portion | Other Current Liabilities | $ 9.5 | $ 0.8 | $ 2.2 | $ 1.5 | $ 9.0 | $ 0.6 | $ 1.2 | $ — |
| Long-Term | Other Long-Term Liabilities | 44.0 | 1.4 | 25.5 | 3.2 | 47.9 | 1.6 | 21.3 | — |
| Total Operating Lease Liabilities | | $ 53.5 | $ 2.2 | $ 27.7 | $ 4.7 | $ 56.9 | $ 2.2 | $ 22.5 | $ — |
| Finance Leases: | | | | | | | | | |
| Right-of-use-Assets, Net | Property, Plant and Equipment, Net | $ 68.6 | $ 18.3 | $ 3.0 | $ — | $ 54.5 | $ — | $ 3.2 | $ — |
| Finance Lease Liabilities | | | | | | | | | |
| Current Portion | Other Current Liabilities | $ 5.4 | $ 1.4 | $ — | $ — | $ 3.8 | $ — | $ — | $ — |
| Long-Term | Other Long-Term Liabilities | 67.3 | 16.9 | 4.9 | — | 54.2 | — | 4.9 | — |
| Total Finance Lease Liabilities | | $ 72.7 | $ 18.3 | $ 4.9 | $ — | $ 58.0 | $ — | $ 4.9 | $ — |

The finance lease payments that NSTAR Electric will make over the next twelve months are entirely interest-related, due to escalating payments. As such, none of the finance lease payments over the next twelve months will reduce the finance lease liability.

Other information related to leases is as follows:

| | As of December 31, 2023 Eversource | CL&P | NSTAR Electric | PSNH | 2022 Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|---|---|---|---|
| Weighted-Average Remaining Lease Term (Years): | | | | | | | | |
| Operating Leases | 9 | 4 | 13 | 3 | 11 | 4 | 17 | — |
| Finance Leases | 13 | 9 | 18 | — | 15 | — | 19 | — |
| Weighted-Average Discount Rate (Percentage): | | | | | | | | |
| Operating Leases | 4.0 % | 5.2 % | 4.2 % | 5.2 % | 3.2 % | 3.8 % | 4.0 % | — % |
| Finance Leases | 3.3 % | 5.3 % | 2.9 % | — % | 2.7 % | — % | 2.9 % | — % |

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| **For the Year Ended December 31, 2023** | | | | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | | | |
| Operating Cash Flows from Operating Leases | $ 10.5 | $ 0.7 | $ 2.5 | $ 0.4 |
| Operating Cash Flows from Finance Leases | 2.0 | — | 0.6 | — |
| Financing Cash Flows from Finance Leases | 3.9 | — | — | — |
| Supplemental Non-Cash Information on Lease Liabilities: | | | | |
| Right-of-use-Assets Obtained in Exchange for New Operating Lease Liabilities | 12.8 | 0.6 | 7.0 | 5.0 |
| Right-of-use-Assets Obtained in Exchange for New Finance Lease Liabilities | 18.5 | 18.3 | — | — |

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| **For the Year Ended December 31, 2022** | | | | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | | | |
| Operating Cash Flows from Operating Leases | $ 11.3 | $ 0.3 | $ 2.1 | $ 0.1 |
| Operating Cash Flows from Finance Leases | 2.0 | — | 0.6 | — |
| Financing Cash Flows from Finance Leases | 3.9 | — | — | 0.1 |
| Supplemental Non-Cash Information on Lease Liabilities: | | | | |
| Right-of-use-Assets Obtained in Exchange for New Operating Lease Liabilities | 18.9 | 2.4 | — | — |
| Right-of-use-Assets Obtained in Exchange for New Finance Lease Liabilities | 3.5 | — | — | — |

| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH |
|---|---|---|---|---|
| **For the Year Ended December 31, 2021** | | | | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | | | |
| Operating Cash Flows from Operating Leases | $ 12.1 | $ 0.3 | $ 2.1 | $ 0.1 |
| Operating Cash Flows from Finance Leases | 3.4 | 0.1 | 0.6 | — |
| Financing Cash Flows from Finance Leases | 4.1 | 1.4 | — | 0.1 |
| Supplemental Non-Cash Information on Lease Liabilities: | | | | |
| Right-of-use-Assets Obtained in Exchange for New Operating Lease Liabilities | 2.1 | — | 1.9 | — |
| Right-of-use-Assets Obtained in Exchange for New Finance Lease Liabilities | 2.3 | — | — | — |

As of December 31, 2023, lease agreements executed but not having yet commenced totaled $11.5 million for Eversource, $7 million for CL&P and $4.5 million for NSTAR Electric. These amounts are not recorded as right-of-use assets and operating lease liabilities as of December 31, 2023, but will be in 2024. Also in 2023, EGMA executed an early termination of an office space lease in connection with the purchase of the same facilities from the lessor, which reduced right-of-use assets for operating leases of Eversource by $7.5 million.

Future minimum lease payments, excluding variable costs, under long-term leases, as of December 31, 2023 are as follows:

| | Operating Leases | | | | Finance Leases | | |
|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Eversource | CL&P | NSTAR Electric | PSNH | Eversource | CL&P | NSTAR Electric |
| Year Ending December 31, | | | | | | | |
| 2024 | $ 11.1 | $ 0.9 | $ 3.4 | $ 1.7 | $ 7.8 | $ 1.9 | $ 0.6 |
| 2025 | 8.3 | 0.9 | 3.0 | 1.7 | 8.2 | 2.3 | 0.7 |
| 2026 | 6.9 | 0.5 | 3.0 | 1.5 | 7.8 | 2.4 | 0.7 |
| 2027 | 4.3 | — | 2.3 | 0.1 | 7.9 | 2.5 | 0.7 |
| 2028 | 4.3 | — | 2.4 | — | 7.2 | 2.6 | 0.7 |
| Thereafter | 30.3 | — | 24.6 | — | 57.8 | 11.5 | 11.0 |
| Future lease payments | 65.2 | 2.3 | 38.7 | 5.0 | 96.7 | 23.2 | 14.4 |
| Less amount representing interest | 11.7 | 0.1 | 11.0 | 0.3 | 24.0 | 4.9 | 9.5 |
| Present value of future minimum lease payments | $ 53.5 | $ 2.2 | $ 27.7 | $ 4.7 | $ 72.7 | $ 18.3 | $ 4.9 |

## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

*Preferred Stock, Long-Term Debt and Rate Reduction Bonds:* The fair value of CL&P's and NSTAR Electric's preferred stock is based upon pricing models that incorporate interest rates and other market factors, valuations or trades of similar securities and cash flow projections. The fair value of long-term debt and RRB debt securities is based upon pricing models that incorporate quoted market prices for those issues or similar issues adjusted for market conditions, credit ratings of the respective companies and treasury benchmark yields. The fair values provided in the table below are classified as Level 2 within the fair value hierarchy. Carrying amounts and estimated fair values are as follows:

| | Eversource | | CL&P | | NSTAR Electric | | PSNH | |
|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **As of December 31, 2023:** | | | | | | | | |
| Preferred Stock Not Subject to Mandatory Redemption | $ 155.6 | $ 122.2 | $ 116.2 | $ 90.4 | $ 43.0 | $ 31.8 | $ — | $ — |
| Long-Term Debt | 24,413.5 | 22,855.2 | 4,814.4 | 4,572.0 | 4,496.9 | 4,273.7 | 1,431.6 | 1,292.6 |
| Rate Reduction Bonds | 410.5 | 395.0 | — | — | — | — | 410.5 | 395.0 |
| **As of December 31, 2022:** | | | | | | | | |
| Preferred Stock Not Subject to Mandatory Redemption | $ 155.6 | $ 136.7 | $ 116.2 | $ 99.2 | $ 43.0 | $ 37.5 | $ — | $ — |
| Long-Term Debt | 21,044.1 | 18,891.3 | 4,216.5 | 3,828.3 | 4,425.1 | 4,091.8 | 1,164.6 | 970.5 |
| Rate Reduction Bonds | 453.7 | 424.7 | — | — | — | — | 453.7 | 424.7 |

*Derivative Instruments and Marketable Securities:* Derivative instruments and investments in marketable securities are carried at fair value. For further information, see Note 4, "Derivative Instruments," and Note 5, "Marketable Securities," to the financial statements.

See Note 1G, "Summary of Significant Accounting Policies – Fair Value Measurements," for the fair value measurement policy and the fair value hierarchy.

**16. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

The changes in accumulated other comprehensive income/(loss) by component, net of tax, are as follows:

| | For the Year Ended December 31, 2023 | | | | For the Year Ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| **Eversource** *(Millions of Dollars)* | Qualified Cash Flow Hedging Instruments | Unrealized Gains/(Losses) on Marketable Securities | Defined Benefit Plans | Total | Qualified Cash Flow Hedging Instruments | Unrealized Gains/(Losses) on Marketable Securities | Defined Benefit Plans | Total |
| Balance as of January 1st | $ (0.4) | $ (1.2) | $ (37.8) | $ (39.4) | $ (0.4) | $ 0.4 | $ (42.3) | $ (42.3) |
| OCI Before Reclassifications | — | — | (8.8) | (8.8) | — | (1.6) | (2.5) | (4.1) |
| Amounts Reclassified from AOCI | — | 1.2 | 13.3 | 14.5 | — | — | 7.0 | 7.0 |
| Net OCI | — | 1.2 | 4.5 | 5.7 | — | (1.6) | 4.5 | 2.9 |
| Balance as of December 31st | $ (0.4) | $ — | $ (33.3) | $ (33.7) | $ (0.4) | $ (1.2) | $ (37.8) | $ (39.4) |

Defined benefit plan OCI amounts before reclassifications relate to actuarial gains and losses that arose during the year and were recognized in AOCI. The unamortized actuarial gains and losses and prior service costs on the defined benefit plans are amortized from AOCI into Other Income, Net over the average future employee service period, and are reflected in amounts reclassified from AOCI. The related tax effects of the defined benefit plan OCI amounts before reclassifications recognized in AOCI were net deferred tax assets of $4.9 million and $1.3 million in 2023 and 2022, respectively and were net deferred tax liabilities of $8.3 million in 2021.

The following table sets forth the amounts reclassified from AOCI by component and the impacted line item on the statements of income:

| | Amounts Reclassified from AOCI | | | |
|---|---|---|---|---|
| | For the Years Ended December 31, | | | |
| **Eversource** *(Millions of Dollars)* | 2023 | 2022 | 2021 | Statements of Income Line Item Impacted |
| Qualified Cash Flow Hedging Instruments | $ — | $ — | $ (1.7) | Interest Expense |
| Tax Effect | — | — | 0.7 | Income Tax Expense |
| Qualified Cash Flow Hedging Instruments, Net of Tax | — | — | (1.0) | |
| Unrealized Gains/(Losses) on Marketable Securities | (1.6) | — | — | Other Income, Net |
| Tax Effect | 0.4 | — | — | Income Tax Expense |
| Unrealized Gains/(Losses) on Marketable Securities, Net of Tax | (1.2) | — | — | |
| Defined Benefit Plan Costs: | | | | |
| Amortization of Actuarial Losses | (7.0) | (9.0) | (13.1) | Other Income, Net (1) |
| Amortization of Prior Service Cost | (0.3) | (0.3) | — | Other Income, Net (1) |
| Settlement Loss | (12.4) | — | — | Other Income, Net (1) |
| Total Defined Benefit Plan Costs | (19.7) | (9.3) | (13.1) | |
| Tax Effect | 6.4 | 2.3 | 3.4 | Income Tax Expense |
| Defined Benefit Plan Costs, Net of Tax | (13.3) | (7.0) | (9.7) | |
| Total Amounts Reclassified from AOCI, Net of Tax | $ (14.5) | $ (7.0) | $ (10.7) | |

(1) These amounts are included in the computation of net periodic Pension, SERP and PBOPcosts. See Note 1K, "Summary of Significant Accounting Policies – Other Income, Net" and Note 11A, "Employee Benefits – Pension Benefits and Postretirement Benefits Other Than Pension," for further information.

## 17. DIVIDEND RESTRICTIONS

Eversource parent's ability to pay dividends may be affected by certain state statutes, the ability of its subsidiaries to pay common dividends and the leverage restriction tied to its consolidated total indebtedness to total capitalization ratio requirement in its revolving credit agreements. Pursuant to the joint revolving credit agreement of Eversource, CL&P, PSNH, NSTAR Gas, Yankee Gas, EGMAand Aquarion Water Company of Connecticut, and to the NSTAR Electric revolving credit agreement, Eversource is required to maintain consolidated total indebtedness to total capitalization ratio of no greater than 70 percent at the end of each fiscal quarter and each other company is required to maintain consolidated total indebtedness to total capitalization ratio of no greater than 65 percent at the end of each fiscal quarter. As of December 31, 2023, all companies were in compliance with such covenant and in compliance with all such provisions of the revolving credit agreements that may restrict the payment of dividends as of December 31, 2023.

The Retained Earnings balances subject to dividend restrictions were $4.14 billion for Eversource, $2.65 billion for CL&P, $3.14 billion for NSTAR Electric and $655.8 million for PSNH as of December 31, 2023.

CL&P, NSTAR Electric and PSNH are subject to Section 305 of the Federal Power Act that makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in its capital account." Management believes that this Federal Power Act restriction, as applied to CL&P, NSTAR Electric and PSNH, would not be construed or applied by the FERC to prohibit the payment of dividends from retained earnings for lawful and legitimate business purposes. In addition, certain state statutes may impose additional limitations on such companies and, including but not limited to, on NSTAR Gas, Yankee Gas, EGMA, and Aquarion's operating companies. Such state law restrictions do not restrict the payment of dividends from retained earnings or net income.

## 18. COMMON SHARES

The following table sets forth the Eversource parent common shares and the shares of common stock of CL&P, NSTAR Electric and PSNH that were authorized and issued, as well as the respective per share par values:

| | | Shares | | | |
|---|---|---|---|---|---|
| | | Authorized as of December 31, | | Issued as of December 31, | |
| | Par Value | 2023 | 2022 | 2023 | 2022 |
| Eversource | $ 5 | 410,000,000 | 380,000,000 | 359,984,073 | 359,984,073 |
| CL&P | $ 10 | 24,500,000 | 24,500,000 | 6,035,205 | 6,035,205 |
| NSTAR Electric | $ 1 | 100,000,000 | 100,000,000 | 200 | 200 |
| PSNH | $ 1 | 100,000,000 | 100,000,000 | 301 | 301 |

*Common Share Issuances and 2022 Equity Distribution Agreement:* On May 11, 2022, Eversource entered into an equity distribution agreement pursuant to which it may offer and sell up to $1.2 billion of its common shares from time to time through an "at-the-market" (ATM) equity offering program. Eversource may issue and sell its common shares through its sales agents during the term of this agreement. Shares may be offered in transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise. Sales may be made at either market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. In 2023, no shares were issued under this agreement. In 2022, Eversource issued 2,165,671 common shares, which resulted in proceeds of $197.1 million, net of issuance costs. Eversource used the net proceeds received for general corporate purposes.

*Treasury Shares:* As of December 31, 2023 and 2022, there were 10,443,807 and 11,540,218 Eversource common shares held as treasury shares, respectively. As of December 31, 2023 and 2022, there were 349,540,266 and 348,443,855 Eversource common shares outstanding, respectively.

*Acquisition of The Torrington Water Company:* On October 3, 2022, Aquarion acquired The Torrington Water Company (TWC) following the receipt of all required approvals. The acquisition was structured as a stock-for-stock exchange, and Eversource issued 925,264 treasury shares at closing for a purchase price of $72.1 million.

*Acquisition of New England Service Company:* On December 1, 2021, Aquarion acquired New England Service Company (NESC), pursuant to a definitive agreement entered into on April 8, 2021. The acquisition was structured as a stock-for-stock merger and Eversource issued 462,517 treasury shares at closing for a purchase price of $38.1 million.

Eversource issues treasury shares to satisfy awards under the Company's incentive plans, shares issued under the dividend reinvestment and share purchase plan, and matching contributions under the Eversource 401k Plan. Eversource also issued treasury shares for its December 2021 and October 2022 water business acquisitions. The issuance of treasury shares represents a non-cash transaction, as the treasury shares were used to fulfill Eversource's obligations that require the issuance of common shares.

On May 3, 2023, shareholders voted to increase the authorized common shares from 380,000,000 shares to 410,000,000 shares.

## 19. PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION

The CL&P and NSTAR Electric preferred stock is not subject to mandatory redemption and is presented as a noncontrolling interest of a subsidiary in Eversource's financial statements.

CL&P is authorized to issue up to 9,000,000 shares of preferred stock, par value $50 per share, and NSTAR Electric is authorized to issue 2,890,000 shares of preferred stock, par value $100 per share. Holders of preferred stock of CL&P and NSTAR Electric are entitled to receive cumulative dividends in preference to any payment of dividends on the common stock. Upon liquidation, holders of preferred stock of CL&P and NSTAR Electric are entitled to receive a liquidation preference before any distribution to holders of common stock in an amount equal to the par value of the preferred stock plus accrued and unpaid dividends. If the net assets were to be insufficient to pay the liquidation preference in full, then the net assets would be distributed ratably to all holders of preferred stock. The preferred stock of CL&P and NSTAR Electric is subject to optional redemption by the CL&P and NSTAR Electric Boards of Directors at any time.

Details of preferred stock not subject to mandatory redemption are as follows (in millions, except in redemption price and shares):

| Series | | Redemption Price Per Share | Shares Outstanding as of December 31, 2023 | Shares Outstanding as of December 31, 2022 | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|---|---|---|---|
| **CL&P** | | | | | | |
| $1.90 | Series of 1947 | $ 52.50 | 163,912 | 163,912 | $ 8.2 | $ 8.2 |
| $2.00 | Series of 1947 | $ 54.00 | 336,088 | 336,088 | 16.8 | 16.8 |
| $2.04 | Series of 1949 | $ 52.00 | 100,000 | 100,000 | 5.0 | 5.0 |
| $2.20 | Series of 1949 | $ 52.50 | 200,000 | 200,000 | 10.0 | 10.0 |
| 3.90% | Series of 1949 | $ 50.50 | 160,000 | 160,000 | 8.0 | 8.0 |
| $2.06 | Series E of 1954 | $ 51.00 | 200,000 | 200,000 | 10.0 | 10.0 |
| $2.09 | Series F of 1955 | $ 51.00 | 100,000 | 100,000 | 5.0 | 5.0 |
| 4.50% | Series of 1956 | $ 50.75 | 104,000 | 104,000 | 5.2 | 5.2 |
| 4.96% | Series of 1958 | $ 50.50 | 100,000 | 100,000 | 5.0 | 5.0 |
| 4.50% | Series of 1963 | $ 50.50 | 160,000 | 160,000 | 8.0 | 8.0 |
| 5.28% | Series of 1967 | $ 51.43 | 200,000 | 200,000 | 10.0 | 10.0 |
| $3.24 | Series G of 1968 | $ 51.84 | 300,000 | 300,000 | 15.0 | 15.0 |
| 6.56% | Series of 1968 | $ 51.44 | 200,000 | 200,000 | 10.0 | 10.0 |
| Total CL&P | | | 2,324,000 | 2,324,000 | $ 116.2 | $ 116.2 |
| **NSTAR Electric** | | | | | | |
| 4.25% | Series of 1956 | $ 103.625 | 180,000 | 180,000 | $ 18.0 | $ 18.0 |
| 4.78% | Series of 1958 | $ 102.80 | 250,000 | 250,000 | 25.0 | 25.0 |
| Total NSTAR Electric | | | 430,000 | 430,000 | $ 43.0 | $ 43.0 |
| Fair Value Adjustment due to Merger with NSTAR | | | | | (3.6) | (3.6) |
| **Other** | | | | | | |
| 6.00% | Series of 1958 | $ 100.00 | 13 | 23 | $ — | $ — |
| **Total Eversource - Noncontrolling Interest - Preferred Stock of Subsidiaries** | | | | | $ 155.6 | $ 155.6 |

## 20. COMMON SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

Dividends on the preferred stock of CL&P and NSTAR Electric totaled $7.5 million for each of the years ended December 31, 2023, 2022 and 2021. These dividends were presented as Net Income Attributable to Noncontrolling Interests on the Eversource statements of income. Noncontrolling Interest – Preferred Stock of Subsidiaries on the Eversource balance sheets totaled $155.6 million as of December 31, 2023 and 2022. On the Eversource balance sheets, Common Shareholders' Equity was fully attributable to Eversource parent and Noncontrolling Interest – Preferred Stock of Subsidiaries was fully attributable to the noncontrolling interest.

For the years ended December 31, 2023, 2022 and 2021, there was no change in ownership of the common equity of CL&P and NSTAR Electric.

## 21. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is computed based upon the weighted average number of common shares outstanding during each period. Diluted earnings/(loss) per share is computed on the basis of the weighted average number of common shares outstanding plus the potential dilutive effect of certain share-based compensation awards as if they were converted into outstanding common shares. The dilutive effect of unvested RSU and performance share awards is calculated using the treasury stock method. RSU and performance share awards are included in basic weighted average common shares outstanding as of the date that all necessary vesting conditions have been satisfied.

For the years ended December 31, 2023, 2022 and 2021, there were no antidilutive share awards excluded from the computation.

The following table sets forth the components of basic and diluted earnings/(loss) per share:

| **Eversource** *(Millions of Dollars, except share information)* | **For the Years Ended December 31, 2023** | **2022** | **2021** |
|---|---|---|---|
| Net (Loss)/Income Attributable to Common Shareholders | $ (442.2) | $ 1,404.9 | $ 1,220.5 |
| Weighted Average Common Shares Outstanding: | | | |
| Basic | 349,580,638 | 346,783,444 | 343,972,926 |
| Dilutive Effect | 259,843 | 463,324 | 658,130 |
| Diluted | 349,840,481 | 347,246,768 | 344,631,056 |
| Basic (Loss)/Earnings Per Common Share | $ (1.27) | $ 4.05 | $ 3.55 |
| Diluted (Loss)/Earnings Per Common Share | $ (1.26) | $ 4.05 | $ 3.54 |

## 22. REVENUES

Revenue is recognized when promised goods or services (referred to as performance obligations) are transferred to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. A five-step model is used for recognizing and measuring revenue from contracts with customers, which includes identifying the contract with the customer, identifying the performance obligations promised within the contract, determining the transaction price (the amount of consideration to which the company expects to be entitled), allocating the transaction price to the performance obligations and recognizing revenue when (or as) the performance obligation is satisfied.

The following tables present operating revenues disaggregated by revenue source:

| **Eversource** *(Millions of Dollars)* | **For the Year Ended December 31, 2023** Electric Distribution | Natural Gas Distribution | Electric Transmission | Water Distribution | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Revenues from Contracts with Customers | | | | | | | |
| Retail Tariff Sales | | | | | | | |
| Residential | $ 5,054.2 | $ 1,145.4 | $ — | $ 144.7 | $ — | $ — | $ 6,344.3 |
| Commercial | 2,893.2 | 637.7 | — | 69.8 | — | (4.8) | 3,595.9 |
| Industrial | 352.4 | 186.8 | — | 4.5 | — | (19.7) | 524.0 |
| Total Retail Tariff Sales Revenues | 8,299.8 | 1,969.9 | — | 219.0 | — | (24.5) | 10,464.2 |
| Wholesale Transmission Revenues | — | — | 1,777.5 | — | — | (1,310.5) | 467.0 |
| Wholesale Market Sales Revenues | 625.0 | 206.7 | — | 3.9 | — | — | 835.6 |
| Other Revenues from Contracts with Customers | 82.6 | 5.6 | 14.6 | 8.1 | 1,636.6 | (1,628.0) | 119.5 |
| Amortization of Revenues Subject to Refund | — | — | 4.3 | — | — | — | 4.3 |
| Total Revenues from Contracts with Customers | 9,007.4 | 2,182.2 | 1,796.4 | 231.0 | 1,636.6 | (2,963.0) | 11,890.6 |
| Alternative Revenue Programs | (54.3) | 35.5 | 118.9 | 0.4 | — | (106.5) | (6.0) |
| Other Revenues | 20.4 | 4.0 | 0.6 | 1.1 | — | — | 26.1 |
| Total Operating Revenues | $ 8,973.5 | $ 2,221.7 | $ 1,915.9 | $ 232.5 | $ 1,636.6 | $ (3,069.5) | $ 11,910.7 |

| **Eversource** *(Millions of Dollars)* | **For the Year Ended December 31, 2022** Electric Distribution | Natural Gas Distribution | Electric Transmission | Water Distribution | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Revenues from Contracts with Customers | | | | | | | |
| Retail Tariff Sales | | | | | | | |
| Residential | $ 4,796.1 | $ 1,204.9 | $ — | $ 141.7 | $ — | $ — | $ 6,142.7 |
| Commercial | 2,903.3 | 648.5 | — | 66.5 | — | (4.1) | 3,614.2 |
| Industrial | 374.9 | 199.7 | — | 4.7 | — | (20.1) | 559.2 |
| Total Retail Tariff Sales Revenues | 8,074.3 | 2,053.1 | — | 212.9 | — | (24.2) | 10,316.1 |
| Wholesale Transmission Revenues | — | — | 1,700.5 | — | — | (1,264.5) | 436.0 |
| Wholesale Market Sales Revenues | 1,190.9 | 140.8 | — | 3.8 | — | — | 1,335.5 |
| Other Revenues from Contracts with Customers | 72.3 | 5.6 | 14.1 | 8.4 | 1,435.5 | (1,425.3) | 110.6 |
| Amortization of/(Reserve for) Revenues Subject to Refund | 72.0 | — | 0.7 | (0.7) | — | — | 72.0 |
| Total Revenues from Contracts with Customers | 9,409.5 | 2,199.5 | 1,715.3 | 224.4 | 1,435.5 | (2,714.0) | 12,270.2 |
| Alternative Revenue Programs | (15.4) | 14.8 | 92.7 | (2.5) | — | (84.3) | 5.3 |
| Other Revenues | 11.2 | 1.3 | 0.7 | 0.6 | — | — | 13.8 |
| Total Operating Revenues | $ 9,405.3 | $ 2,215.6 | $ 1,808.7 | $ 222.5 | $ 1,435.5 | $ (2,798.3) | $ 12,289.3 |

| **Eversource** *(Millions of Dollars)* | For the Year Ended December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Electric Distribution** | **Natural Gas Distribution** | **Electric Transmission** | **Water Distribution** | **Other** | **Eliminations** | **Total** |
| Revenues from Contracts with Customers | | | | | | | |
| Retail Tariff Sales | | | | | | | |
| Residential | $ 3,989.8 | $ 1,000.3 | $ — | $ 133.5 | $ — | $ — | $ 5,123.6 |
| Commercial | 2,486.1 | 497.6 | — | 62.8 | — | (5.1) | 3,041.4 |
| Industrial | 345.3 | 167.2 | — | 4.3 | — | (17.1) | 499.7 |
| Total Retail Tariff Sales Revenues | 6,821.2 | 1,665.1 | — | 200.6 | — | (22.2) | 8,664.7 |
| Wholesale Transmission Revenues | — | — | 1,751.3 | — | 86.6 | (1,384.7) | 453.2 |
| Wholesale Market Sales Revenues | 575.8 | 82.1 | — | 3.9 | — | — | 661.8 |
| Other Revenues from Contracts with Customers | 78.1 | 5.1 | 13.6 | 7.5 | 1,267.4 | (1,257.7) | 114.0 |
| Reserve for Revenues Subject to Refund | (71.1) | — | (5.0) | (2.6) | — | — | (78.7) |
| Total Revenues from Contracts with Customers | 7,404.0 | 1,752.3 | 1,759.9 | 209.4 | 1,354.0 | (2,664.6) | 9,815.0 |
| Alternative Revenue Programs | 14.7 | 37.0 | (126.1) | 1.5 | — | 114.6 | 41.7 |
| Other Revenues | 4.9 | 0.3 | 0.8 | 0.4 | — | — | 6.4 |
| Total Operating Revenues | $ 7,423.6 | $ 1,789.6 | $ 1,634.6 | $ 211.3 | $ 1,354.0 | $ (2,550.0) | $ 9,863.1 |

| | For the Years Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2021 | | |
| *(Millions of Dollars)* | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** | **CL&P** | **NSTAR Electric** | **PSNH** |
| Revenues from Contracts with Customers | | | | | | | | | |
| Retail Tariff Sales | | | | | | | | | |
| Residential | $ 2,597.8 | $ 1,691.0 | $ 765.4 | $ 2,397.2 | $ 1,601.8 | $ 797.1 | $ 1,994.2 | $ 1,375.8 | $ 619.8 |
| Commercial | 1,082.1 | 1,442.3 | 369.6 | 1,067.9 | 1,457.4 | 380.8 | 890.6 | 1,265.0 | 332.2 |
| Industrial | 137.2 | 123.2 | 92.0 | 146.4 | 135.8 | 92.7 | 131.4 | 119.1 | 94.8 |
| Total Retail Tariff Sales Revenues | 3,817.1 | 3,256.5 | 1,227.0 | 3,611.5 | 3,195.0 | 1,270.6 | 3,016.2 | 2,759.9 | 1,046.8 |
| Wholesale Transmission Revenues | 794.7 | 692.0 | 290.8 | 755.1 | 670.4 | 275.0 | 863.3 | 616.3 | 271.7 |
| Wholesale Market Sales Revenues | 429.1 | 131.8 | 64.1 | 873.7 | 215.0 | 102.2 | 408.8 | 109.2 | 57.8 |
| Other Revenues from Contracts with Customers | 32.4 | 49.1 | 18.1 | 30.2 | 46.9 | 11.8 | 26.7 | 56.2 | 11.3 |
| Amortization of/(Reserve for) Revenues Subject to Refund | 4.3 | — | — | 72.7 | — | — | (76.1) | — | — |
| Total Revenues from Contracts with Customers | 5,077.6 | 4,129.4 | 1,600.0 | 5,343.2 | 4,127.3 | 1,659.6 | 4,238.9 | 3,541.6 | 1,387.6 |
| Alternative Revenue Programs | 66.8 | (52.0) | 49.8 | 56.5 | 0.7 | 20.1 | (78.9) | (15.1) | (17.4) |
| Other Revenues | 9.6 | 8.4 | 3.0 | 1.8 | 7.2 | 2.9 | 0.4 | 3.4 | 1.9 |
| Eliminations | (575.2) | (570.3) | (204.9) | (583.8) | (552.1) | (207.8) | (523.0) | (473.5) | (194.9) |
| Total Operating Revenues | $ 4,578.8 | $ 3,515.5 | $ 1,447.9 | $ 4,817.7 | $ 3,583.1 | $ 1,474.8 | $ 3,637.4 | $ 3,056.4 | $ 1,177.2 |

*Retail Tariff Sales:* Regulated utilities provide products and services to their regulated customers under rates, pricing, payment terms and conditions of service, regulated by each state regulatory agency. The arrangement whereby a utility provides commodity service to a customer for a price approved by the respective state regulatory commission is referred to as a tariff sale contract, and the tariff governs all aspects of the provision of regulated services by utilities. The majority of revenue for Eversource, CL&P, NSTAR Electric and PSNH is derived from regulated retail tariff sales for the sale and distribution of electricity, natural gas and water to residential, commercial and industrial retail customers.

The utility's performance obligation for the regulated tariff sales is to provide electricity, natural gas or water to the customer as demanded. The promise to provide the commodity represents a single performance obligation, as it is a promise to transfer a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the utility, and the utility satisfies its performance obligation. Revenue is recognized based on the output method as there is a directly observable output to the customer (electricity, natural gas or water units delivered to the customer and immediately consumed). Each Eversource utility is entitled to be compensated for performance completed to date (service taken by the customer) until service is terminated.

In regulated tariff sales, the transaction prices are the rates approved by the respective state regulatory commissions. In general, rates can only be changed through formal proceedings with the state regulatory commissions. These rates are designed to recover the costs to provide service to customers and include a return on investment. Regulatory commission-approved tracking mechanisms are included in these rates and are also used to recover, on a fully-reconciling basis, certain costs, such as the procurement of energy supply, retail transmission charges, energy efficiency program costs, net metering for distributed generation, and restructuring and stranded costs, among others. These tracking mechanisms result in rates being changed periodically to ensure recovery of actual costs incurred and the refund of any overcollection of costs.

Electric customers may elect to purchase electricity from each Eversource electric utility or may contract separately with a competitive third party supplier. Certain eligible natural gas customers may elect to purchase natural gas from each Eversource natural gas utility or may contract separately with a gas supply operator. Revenue is not recorded for the sale of the electricity or the natural gas commodity to customers who have contracted separately with these suppliers, only the delivery to a customer, as the utility is acting as an agent on behalf of the supplier.

*Wholesale Transmission Revenues:* The Eversource electric transmission-owning companies (CL&P, NSTAR Electric and PSNH) each own and maintain transmission facilities that are part of an interstate power transmission grid over which electricity is transmitted throughout New England. CL&P, NSTAR Electric and PSNH, as well as most other New England utilities, are parties to a series of agreements that provide for coordinated planning and operation of the region's transmission facilities and the rules by which they acquire transmission services. The Eversource electric transmission-owning companies have a combination of FERC-approved regional and local formula rates that work in tandem to recover all their transmission costs. These rates are part of the ISO-NE Tariff. Regional rates recover the costs of higher voltage transmission facilities that benefit the region and are collected from all New England transmission customers, including the Eversource distribution businesses. Eversource's local rates recover the costs of transmission facilities that do not provide a benefit to the region, and are collected from Eversource's distribution businesses and other transmission customers. The distribution businesses of Eversource, in turn, recover the FERC approved charges from retail customers through annual tracking mechanisms, which are retail tariff sales.

The utility's performance obligation for regulated wholesale transmission sales is to provide transmission services to the customer as demanded. The promise to provide transmission service represents a single performance obligation. The transaction prices are the transmission rate formulas as defined by the ISO-NE Tariff and are regulated and established by FERC. Wholesale transmission revenue is recognized over time as the performance obligation is completed, which occurs as transmission services are provided to customers. The revenue is recognized based on the output method. Each Eversource utility is entitled to be compensated for performance completed to date (e.g., use of the transmission system by the customer).

*Wholesale Market Sales Revenues:* Wholesale market sales transactions include sales of energy and energy-related products into the ISO-NE wholesale electricity market, sales of natural gas to third party marketers, and also the sale of RECs to various counterparties. ISO-NE oversees the region's wholesale electricity market and administers the transactions and terms and conditions, including payment terms, which are established in the ISO-NE tariff, between the buyers and sellers in the market. Pricing is set by the wholesale market. The wholesale transactions in the ISO-NE market occur on a day-ahead basis or a real-time basis (daily) and are, therefore, short-term. Transactions are tracked and reported by ISO-NE net by the hour, which is the net hourly position of energy sales and purchases by each market participant. The performance obligation for ISO-NE energy transactions is defined to be the net by hour transaction. Revenue is recognized when the performance obligation for these energy sales transactions is satisfied, which is when the sale occurs and the energy is transferred to the customer. For sales of natural gas, transportation, and natural gas pipeline capacity to third party marketers, revenue is recognized when the performance obligation is satisfied at the point in time the sale occurs and the natural gas or related product is transferred to the marketer. RECs are sold to various counterparties, and revenue is recognized when the performance obligation is satisfied upon transfer of title to the customer through the New England Power Pool Generation Information System. Wholesale transactions also include the sale of CL&P’s, NSTAR Electric’s and PSNH’s transmission rights associated with their proportionate equity ownership share in the transmission lines of the Hydro-Québec system in Canada.

*Other Revenues from Contracts with Customers:* Other revenues from contracts with customers primarily include property rentals that are not deemed leases. These revenues are generally recognized on a straight-line basis over time as the service is provided to the customer. Other revenues also include revenues from Eversource's service company, which is eliminated in consolidation.

*Amortization of/(Reserve for) Revenues Subject to Refund:* A reserve is recorded as a reduction to revenues when future refunds to customers are deemed probable. The reserve is reversed as refunds are provided to customers in rates. Amortization of Revenues Subject to Refund within the Electric Distribution segment in 2022 represents the reversal of a 2021 reserve at CL&P established to provide bill credits to customers as a result of the settlement agreement on October 1, 2021 and a storm performance penalty assessed by PURA. The reserve was reversed as customer credits were distributed to CL&P’s customers in retail electric rates. Total customer credits as a result of the 2021 settlement and civil penalty of $93.4 million were recorded as a reserve for revenues subject to refund within current regulatory liabilities and reflected as a reduction to Operating Revenues on the 2021 income statement. The settlement amount of $65 million was refunded over a two-month billing period from December 1, 2021 to January 31, 2022 and the civil penalty of $28.4 million was refunded over a one year billing period, which began September 1, 2021.

*Alternative Revenue Programs:* In accordance with accounting guidance for rate-regulated operations, certain of Eversource's utilities' rate making mechanisms qualify as alternative revenue programs (ARPs) if they meet specified criteria, in which case revenues may be recognized prior to billing based on allowed levels of collection in rates. Eversource's utility companies recognize revenue and record a regulatory asset or liability once the condition or event allowing for the automatic adjustment of future rates occurs. ARP revenues include both the recognition of the deferral adjustment to ARP revenues, when the regulator-specified condition or event allowing for additional billing or refund has occurred, and an equal and offsetting reversal of the ARP deferral to revenues as those amounts are reflected in the price of service in subsequent periods.

Eversource’s ARPs include the revenue decoupling mechanism, the annual reconciliation adjustment to transmission formula rates, and certain capital tracker mechanisms. Certain Eversource electric, natural gas and water companies, including CL&P and NSTAR Electric, have revenue decoupling mechanisms approved by a regulatory commission (decoupled companies). Decoupled companies’ distribution revenues are not directly based on sales volumes. The decoupled companies reconcile their annual base distribution rate recovery to pre-established levels of baseline distribution delivery service revenues, with any difference between the allowed level of distribution revenue and the actual amount realized adjusted through subsequent rates. The transmission formula rates provide for the annual reconciliation and recovery or refund of estimated costs to actual costs. The financial impacts of differences between actual and estimated costs are deferred for future recovery from, or refund to, transmission customers. This transmission deferral reconciles billed transmission revenues to the revenue requirement for our transmission businesses.

*Other Revenues:* Other Revenues include certain fees charged to customers that are not considered revenue from contracts with customers. Other revenues also include lease revenues under lessor accounting guidance of $4.6 million ($0.7 million at CL&P and $2.5 million at NSTAR Electric), $4.0 million ($0.8 million at CL&P and $2.5 million at NSTAR Electric), and $4.8 million, ($0.8 million at CL&P and $3.1 million at NSTAR Electric) for the years ended December 31, 2023, 2022 and 2021, respectively.

*Intercompany Eliminations:* Intercompany eliminations are primarily related to the Eversource electric transmission revenues that are derived from ISO-NE regional transmission charges to the distribution businesses of CL&P, NSTAR Electric and PSNH that recover the costs of the wholesale transmission business, and revenues from Eversource's service company. Intercompany revenues and expenses between the Eversource wholesale transmission businesses and the Eversource distribution businesses and from Eversource's service company are eliminated in consolidation and included in "Eliminations" in the tables above.

*Receivables:* Receivables, Net on the balance sheet primarily includes trade receivables from retail customers and customers related to wholesale transmission contracts, wholesale market sales, sales of RECs, and property rentals. In general, retail tariff customers and wholesale transmission customers are billed monthly and the payment terms are generally due and payable upon receipt of the bill.

*Unbilled Revenues:* Unbilled Revenues on the balance sheet represent estimated amounts due from retail customers for electricity, natural gas or water delivered to customers but not yet billed. The utility company has satisfied its performance obligation and the customer has received and consumed the commodity as of the balance sheet date, and therefore, the utility company records revenue for those services in the period the services were provided. Only the passage of time is required before the company is entitled to payment for the satisfaction of the performance obligation. Payment from customers is due monthly as services are rendered and amounts are billed. Actual amounts billed to customers when meter readings become available may vary from the estimated amount.

Unbilled revenues are recognized by allocating estimated unbilled sales volumes to the respective customer classes, and then applying an estimated rate by customer class to those sales volumes. Unbilled revenue estimates reflect seasonality, weather, customer usage patterns, customer rates in effect for customer classes, and the timing of customer billing. The companies that have a decoupling mechanism record a regulatory deferral to reflect the actual allowed amount of revenue associated with their respective decoupled distribution rate design.

*Practical Expedients:* Eversource has elected practical expedients in the accounting guidance that allow the company to record revenue in the amount that the company has a right to invoice, if that amount corresponds directly with the value to the customer of the company's performance to date, and not to disclose related unsatisfied performance obligations. Retail and wholesale transmission tariff sales fall into this category, as these sales are recognized as revenue in the period the utility provides the service and completes the performance obligation, which is the same as the monthly amount billed to customers. There are no other material revenue streams for which Eversource has unsatisfied performance obligations.

## 23. SEGMENT INFORMATION

Eversource is organized into the Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reportable segments and Other based on a combination of factors, including the characteristics of each segments' services, the sources of operating revenues and expenses and the regulatory environment in which each segment operates. These reportable segments represent substantially all of Eversource's total consolidated revenues. Revenues from the sale of electricity, natural gas and water primarily are derived from residential, commercial and industrial customers and are not dependent on any single customer. The Electric Distribution reportable segment includes the results of NSTAR Electric's solar power facilities. Eversource's reportable segments are determined based upon the level at which Eversource's chief operating decision maker assesses performance and makes decisions about the allocation of company resources.

The remainder of Eversource's operations is presented as Other in the tables below and primarily consists of 1) the equity in earnings of Eversource parent from its subsidiaries and intercompany interest income, both of which are eliminated in consolidation, and interest expense related to the debt of Eversource parent, 2) the revenues and expenses of Eversource Service, most of which are eliminated in consolidation, 3) the operations of CYAPC and YAEC, 4) the results of other unregulated subsidiaries, which are not part of its core business, and 5) Eversource parent's equity ownership interests that are not consolidated, which primarily include the offshore wind business, a natural gas pipeline owned by Enbridge, Inc., and a renewable energy investment fund that was liquidated in 2023.

In the ordinary course of business, Yankee Gas, NSTAR Gas and EGMA purchase natural gas transmission services from the Enbridge, Inc. natural gas pipeline project described above. These affiliate transaction costs total $77.7 million annually and are classified as Purchased Power, Purchased Natural Gas and Transmission on the Eversource statements of income.

Each of Eversource's subsidiaries, including CL&P, NSTAR Electric and PSNH, has one reportable segment.

Cash flows used for investments in plant included in the segment information below are cash capital expenditures that do not include amounts incurred on capital projects but not yet paid, cost of removal, AFUDC related to equity funds, and the capitalized and deferred portions of pension and PBOP income/expense. Eversource's segment information is as follows:

| **Eversource** *(Millions of Dollars)* | For the Year Ended December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Electric Distribution** | **Natural Gas Distribution** | **Electric Transmission** | **Water Distribution** | **Other** | **Eliminations** | **Total** |
| Operating Revenues | $ 8,973.5 | $ 2,221.7 | $ 1,915.9 | $ 232.5 | $ 1,636.6 | $ (3,069.5) | $ 11,910.7 |
| Depreciation and Amortization | (18.2) | (214.2) | (371.2) | (56.0) | (158.8) | 2.7 | (815.7) |
| Other Operating Expenses | (8,104.6) | (1,662.6) | (550.5) | (117.1) | (1,329.8) | 3,068.9 | (8,695.7) |
| Operating Income | 850.7 | 344.9 | 994.2 | 59.4 | 148.0 | 2.1 | 2,399.3 |
| Interest Expense | (291.7) | (85.7) | (163.7) | (38.5) | (425.3) | 149.5 | (855.4) |
| Impairments of Offshore Wind Investments | — | — | — | — | (2,167.0) | — | (2,167.0) |
| Interest Income | 74.5 | 18.2 | 0.4 | — | 150.6 | (149.5) | 94.2 |
| Other Income/(Loss), Net | 136.2 | 20.4 | 41.2 | 5.9 | (261.8) | 312.0 | 253.9 |
| Income Tax (Expense)/Benefit | (157.1) | (73.0) | (225.8) | 6.3 | 289.9 | — | (159.7) |
| Net Income/(Loss) | 612.6 | 224.8 | 646.3 | 33.1 | (2,265.6) | 314.1 | (434.7) |
| Net Income Attributable to Noncontrolling Interests | (4.6) | — | (2.9) | — | — | — | (7.5) |
| Net Income/(Loss) Attributable to Common Shareholders | $ 608.0 | $ 224.8 | $ 643.4 | $ 33.1 | $ (2,265.6) | $ 314.1 | $ (442.2) |
| Total Assets (as of) | $ 29,426.4 | $ 8,775.3 | $ 14,806.5 | $ 2,944.8 | $ 26,337.7 | $ (26,678.5) | $ 55,612.2 |
| Cash Flows Used for Investments in Plant | $ 1,668.1 | $ 844.1 | $ 1,406.3 | $ 167.0 | $ 251.3 | $ — | $ 4,336.8 |

| **Eversource** *(Millions of Dollars)* | For the Year Ended December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Electric Distribution** | **Natural Gas Distribution** | **Electric Transmission** | **Water Distribution** | **Other** | **Eliminations** | **Total** |
| Operating Revenues | $ 9,405.3 | $ 2,215.6 | $ 1,808.7 | $ 222.5 | $ 1,435.5 | $ (2,798.3) | $ 12,289.3 |
| Depreciation and Amortization | (970.4) | (157.6) | (337.4) | (50.9) | (132.6) | 5.8 | (1,643.1) |
| Other Operating Expenses | (7,663.7) | (1,727.0) | (548.4) | (111.8) | (1,189.1) | 2,792.0 | (8,448.0) |
| Operating Income | 771.2 | 331.0 | 922.9 | 59.8 | 113.8 | (0.5) | 2,198.2 |
| Interest Expense | (253.1) | (71.4) | (145.5) | (34.7) | (247.8) | 74.2 | (678.3) |
| Interest Income | 45.1 | 10.2 | 0.5 | — | 66.3 | (71.6) | 50.5 |
| Other Income, Net | 180.4 | 33.6 | 37.9 | 8.5 | 1,600.8 | (1,565.6) | 295.6 |
| Income Tax (Expense)/Benefit | (146.2) | (69.2) | (216.3) | 3.2 | (25.1) | — | (453.6) |
| Net Income | 597.4 | 234.2 | 599.5 | 36.8 | 1,508.0 | (1,563.5) | 1,412.4 |
| Net Income Attributable to Noncontrolling Interests | (4.6) | — | (2.9) | — | — | — | (7.5) |
| Net Income Attributable to Common Shareholders | $ 592.8 | $ 234.2 | $ 596.6 | $ 36.8 | $ 1,508.0 | $ (1,563.5) | $ 1,404.9 |
| Total Assets (as of) | $ 27,365.0 | $ 8,084.9 | $ 13,369.5 | $ 2,783.8 | $ 26,365.2 | $ (24,737.5) | $ 53,230.9 |
| Cash Flows Used for Investments in Plant | $ 1,172.6 | $ 710.3 | $ 1,144.0 | $ 154.4 | $ 260.6 | $ — | $ 3,441.9 |

| **Eversource** *(Millions of Dollars)* | For the Year Ended December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Electric Distribution** | **Natural Gas Distribution** | **Electric Transmission** | **Water Distribution** | **Other** | **Eliminations** | **Total** |
| Operating Revenues | $ 7,423.6 | $ 1,789.6 | $ 1,634.6 | $ 211.3 | $ 1,354.0 | $ (2,550.0) | $ 9,863.1 |
| Depreciation and Amortization | (737.8) | (142.3) | (300.3) | (46.1) | (113.1) | 4.6 | (1,335.0) |
| Other Operating Expenses | (5,970.0) | (1,345.4) | (496.2) | (101.4) | (1,170.4) | 2,548.6 | (6,534.8) |
| Operating Income | 715.8 | 301.9 | 838.1 | 63.8 | 70.5 | 3.2 | 1,993.3 |
| Interest Expense | (236.4) | (58.6) | (133.2) | (32.0) | (168.8) | 46.6 | (582.4) |
| Interest Income | 20.7 | 4.5 | 2.2 | — | 46.0 | (47.8) | 25.6 |
| Other Income, Net | 78.1 | 17.9 | 19.8 | 3.3 | 1,363.9 | (1,347.3) | 135.7 |
| Income Tax (Expense)/Benefit | (103.5) | (60.9) | (179.4) | 1.7 | (2.1) | — | (344.2) |
| Net Income | 474.7 | 204.8 | 547.5 | 36.8 | 1,309.5 | (1,345.3) | 1,228.0 |
| Net Income Attributable to Noncontrolling Interests | (4.6) | — | (2.9) | — | — | — | (7.5) |
| Net Income Attributable to Common Shareholders | $ 470.1 | $ 204.8 | $ 544.6 | $ 36.8 | $ 1,309.5 | $ (1,345.3) | $ 1,220.5 |
| Cash Flows Used for Investments in Plant | $ 1,053.3 | $ 721.1 | $ 1,024.1 | $ 137.2 | $ 239.4 | $ — | $ 3,175.1 |

## 24. GOODWILL

In a business combination, the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is recognized as goodwill. The following table presents Eversource's goodwill by reportable segment:

| (Millions of Dollars) | Electric Distribution | Electric Transmission | Natural Gas Distribution | Water Distribution | Total |
|---|---|---|---|---|---|
| Balance as of January 1, 2022 | $ 2,543.6 | $ 576.8 | $ 451.0 | $ 905.9 | $ 4,477.3 |
| NESC Measurement Period Adjustments | — | — | — | 0.5 | 0.5 |
| Acquisition of TWC | — | — | — | 44.8 | 44.8 |
| Balance as of December 31, 2022 | $ 2,543.6 | $ 576.8 | $ 451.0 | $ 951.2 | $ 4,522.6 |
| Water Acquisitions | — | — | — | 9.5 | 9.5 |
| Balance as of December 31, 2023 | $ 2,543.6 | $ 576.8 | $ 451.0 | $ 960.7 | $ 4,532.1 |

Eversource completed the acquisition of TWC on October 3, 2022, resulting in the addition of $44.8 million of goodwill, all of which was allocated to the Water Distribution reporting unit. Eversource completed the acquisition of NESC on December 1, 2021, resulting in the addition of $22.2 million of goodwill, which included measurement period increases in 2022 totaling $0.5 million. Eversource completed two water acquisitions in 2023, resulting in the addition of $9.5 million of goodwill. The goodwill was allocated to the Water Distribution reporting unit. For further information on the acquisitions of TWC and NESC, see Note 18, "Common Shares," to the financial statements.

Goodwill is evaluated for impairment at least annually and more frequently if indicators of impairment arise. In accordance with the accounting standards, if the fair value of a reporting unit is less than its carrying value (including goodwill), the goodwill is tested for impairment. Goodwill is not subject to amortization, however is subject to a fair value based assessment for impairment at least annually and whenever facts or circumstances indicate that there may be an impairment. A resulting write-down, if any, would be charged to Operating Expenses.

In assessing goodwill for impairment, an entity is permitted to first assess qualitatively whether it is more likely than not that goodwill impairment exists as of the annual impairment test date. A quantitative impairment test is required only if it is concluded that it is more likely than not that a reporting unit's fair value is less than it's carrying amount. The annual goodwill assessment included a qualitative evaluation of multiple factors that impact the fair value of the reporting units, including general, macroeconomic and market conditions, and entity-specific assumptions that affect the future cash flows of the reporting units. Key considerations include discount rates, utility sector market performance and merger transaction multiples, the Company's share price and credit ratings, analyst reports, financial performance, cost and risk factors, internal estimates and projections of future cash flows and net income, long-term strategy, the timing and outcome of rate cases, and recent regulatory and legislative proceedings.

Eversource's reporting units for the purpose of testing goodwill are Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution. These reporting units are consistent with the operating segments underlying the reportable segments identified in Note 23, "Segment Information," to the financial statements.

Eversource completed its annual goodwill impairment assessment for the Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reporting units as of October 1, 2023 and determined that no impairment existed. There were no events subsequent to October 1, 2023 that indicated impairment of goodwill.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

No events that would be described in response to this item have occurred with respect to Eversource, CL&P, NSTAR Electric or PSNH.

**Item 9A. Controls and Procedures**

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, is responsible for the preparation, integrity, and fair presentation of the accompanying Financial Statements and other sections of this combined Annual Report on Form 10-K. Eversource's internal controls over financial reporting were audited by Deloitte & Touche LLP.

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment. Under the supervision and with the participation of the principal executive officer and principal financial officer, an evaluation of the effectiveness of internal controls over financial reporting was conducted based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting at Eversource, CL&P, NSTAR Electric and PSNH were effective as of December 31, 2023.

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, evaluated the design and operation of the disclosure controls and procedures as of December 31, 2023 to determine whether they are effective in ensuring that the disclosure of required information is made timely and in accordance with the Securities Exchange Act of 1934 and the rules and regulations of the SEC. This evaluation was made under management's supervision and with management's participation, including the principal executive officer and principal financial officer as of the end of the period covered by this Annual Report on Form 10-K. There are inherent limitations of disclosure controls and procedures, including the possibility of human error and the circumventing or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The principal executive officer and principal financial officer have concluded, based on their review, that the disclosure controls and procedures of Eversource, CL&P, NSTAR Electric and PSNH are effective to ensure that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and regulations and (ii) is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in internal controls over financial reporting for Eversource, CL&P, NSTAR Electric and PSNH during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

**Item 9B. Other Information**

During the quarter ended December 31, 2023, none of the Company’s directors or officers adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as such terms are defined under Item 408 of Regulation S-K.

No additional information is required to be disclosed under this item as of December 31, 2023, as this information has been previously disclosed in applicable reports on Form 8-K during the fourth quarter of 2023.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

**Eversource Energy**

The information required by this Item 10 for Eversource Energy is incorporated herein by reference to certain information contained in the sections captioned “Election of Trustees,” and “Governance of Eversource Energy” plus related subsections, of Eversource Energy’s definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2024.

Information concerning executive officers of Eversource Energy required by this Item 10 is reported under a separate caption entitled “Information About Our Executive Officers” in Part I of this report.

**CL&P, NSTAR Electric and PSNH**

Certain information required by this Item 10 is omitted for CL&P, NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly Owned Subsidiaries.

**Item 11. Executive Compensation**

**Eversource Energy**

The information required by this Item 11 for Eversource Energy is incorporated herein by reference to certain information contained in Eversource Energy's definitive proxy statement for solicitation of proxies, which is expected to be filed with the SEC on or about March 22, 2024, under the sections captioned “Compensation Discussion and Analysis,” plus related subsections, and “Compensation Committee Report,” plus related subsections following such Report.

**CL&P, NSTAR Electric and PSNH**

Certain information required by this Item 11 has been omitted for CL&P, NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

**Eversource Energy**

In addition to the information below under "Securities Authorized for Issuance Under Equity Compensation Plans," incorporated herein by reference is the information contained in the sections "Securities Ownership of Certain Beneficial Owners" and "Common Share Ownership of Trustees and Management" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2024.

**CL&P, NSTAR Electric and PSNH**

Certain information required by this Item 12 has been omitted for CL&P, NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth the number of Eversource Energy common shares issuable under Eversource Energy equity compensation plans, as well as their weighted exercise price, as of December 31, 2023, in accordance with the rules of the SEC:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | Weighted-average exercise price of outstanding options, warrants and rights (2) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1)) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 1,336,666 | $— | 4,587,376 |
| Equity compensation plans not approved by security holders (3) | — | — | — |
| Total | 1,336,666 | $— | 4,587,376 |

(1) Includes 672,242 common shares for distribution in respect of restricted share units, and 664,424 performance shares issuable at target, all pursuant to the terms of our Incentive Plans.

(2) The weighted-average exercise price does not take into account restricted share units or performance shares, which have no exercise price.

(3) Securities set forth in this table are authorized for issuance under compensation plans that have been approved by shareholders of Eversource Energy.

For information regarding our Incentive Plans, see Note 11C, "Employee Benefits - Share Based Payments," to the financial statements.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

**Eversource Energy**

Incorporated herein by reference is the information contained in the sections captioned "Trustee Independence" and "Related Person Transactions" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2024.

**CL&P, NSTAR Electric and PSNH**

Certain information required by this Item 13 has been omitted for CL&P, NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries.

**Item 14. Principal Accountant Fees and Services**

**Eversource Energy**

Incorporated herein by reference is the information contained in the section "Relationship with Principal Independent Registered Public Accounting Firm" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2024.

**CL&P, NSTAR Electric and PSNH**

**Pre-Approval of Services Provided by Principal Auditors**

None of CL&P, NSTAR Electric and PSNH is subject to the audit committee requirements of the SEC, the national securities exchanges or the national securities associations. CL&P, NSTAR Electric and PSNH obtain audit services from the independent auditor engaged by the Audit Committee of Eversource Energy's Board of Trustees. Eversource Energy's Audit Committee has established policies and procedures regarding the pre-approval of services provided by the principal auditors. Those policies and procedures delegate pre-approval of services to the Eversource Energy Audit Committee Chair provided that such offices are held by Trustees who are "independent" within the meaning of the Sarbanes-Oxley Act of 2002 and that all such pre-approvals are presented to the Eversource Energy Audit Committee at the next regularly scheduled meeting of the Committee.

The following relates to fees and services for the entire Eversource Energy system, including Eversource Energy, CL&P, NSTAR Electric and PSNH.

**Fees Billed By Principal Independent Registered Public Accounting Firm**

The aggregate fees billed to the Company and its subsidiaries by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities), for the years ended December 31, 2023 and 2022 totaled $7,070,914 and $7,029,422, respectively. In addition, affiliates of Deloitte & Touche LLP as noted below provide other accounting services to the Company.

| Audit and Non-Audit Fees | 2023 | 2022 |
|---|---|---|
| Audit Fees [1] | $ 5,310,000 | $ 5,323,600 |
| Audit Related Fees [2] | 1,759,000 | 1,542,000 |
| All Other Fees [3] | 1,914 | 163,822 |
| **TOTAL** | **$ 7,070,914** | **$ 7,029,422** |

[1] Audit Fees consisted of fees related to the audits of financial statements of Eversource Energy and its subsidiaries in the Annual Report on Form 10-K, reviews of financial statements in the Combined Quarterly reports on Form 10-Q of Eversource Energy and its subsidiaries, consultations with management, regulatory and compliance filings, system conversion quality assurance, out of pocket expenses, and audits of internal controls over financial reporting for the years ended December 31, 2023 and 2022.

[2] Audit Related Fees were incurred for procedures performed in the ordinary course of business in support of certain regulatory filings, comfort letters, consents, and other costs related to registration statements and financials for the years ended December 31, 2023 and 2022. Audit Related Fees for the year ended 2022 also included Eversource's ATM equity offering program.

[3] All Other Fees for the years ended December 31, 2023 and 2022 related to an annual license for access to an accounting standards research tool. All Other Fees for the year ended December 31, 2022 also related to a system pre-implementation control review and an executive training program.

The Audit Committee pre-approves all auditing services and permitted audit-related or other services (including the fees and terms thereof) to be performed for us by our independent registered public accounting firm, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate its authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittees to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. During 2023, all services described above were pre-approved by the Audit Committee or its Chair.

The Audit Committee has considered whether the provision by the Deloitte Entities of the non-audit services described above was allowed under Rule 2-01(c)(4) of Regulation S-X and was compatible with maintaining the independence of the registered public accountants and has concluded that the Deloitte Entities were and are independent of us in all respects.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) 1. Financial Statements:

The financial statements filed as part of this Annual Report on Form 10-K are set forth under Item 8, "Financial Statements and Supplementary Data."

2. Schedules



All other schedules of the companies for which inclusion is required in the applicable regulations of the SEC are permitted to be omitted under the related instructions or are not applicable, and therefore have been omitted.



**Item 16. Form 10-K Summary**

Not applicable.

SCHEDULE I
EVERSOURCE ENERGY (PARENT)
FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022
(Thousands of Dollars)

| | 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 542 | $ 971 |
| Accounts Receivable from Subsidiaries | 60,191 | 53,338 |
| Notes Receivable from Subsidiaries | 2,045,570 | 1,074,800 |
| Prepayments and Other Current Assets | 103,735 | 23,597 |
| Total Current Assets | 2,210,038 | 1,152,706 |
| | | |
| Deferred Debits and Other Assets: | | |
| Investments in Subsidiary Companies, at Equity | 17,977,812 | 18,379,840 |
| Notes Receivable from Subsidiaries | 2,296,500 | 1,896,500 |
| Accumulated Deferred Income Taxes | 10,131 | — |
| Goodwill | 3,852,524 | 3,852,524 |
| Other Long-Term Assets | 28,287 | 108,867 |
| Total Deferred Debits and Other Assets | 24,165,254 | 24,237,731 |
| | | |
| Total Assets | $ 26,375,292 | $ 25,390,437 |
| | | |
| LIABILITIES AND CAPITALIZATION | | |
| Current Liabilities: | | |
| Notes Payable | $ 1,564,575 | $ 1,442,200 |
| Long-Term Debt - Current Portion | 364,653 | 1,207,047 |
| Accounts Payable to Subsidiaries | 38,051 | 33,530 |
| Accrued Interest | 106,070 | 72,951 |
| Other Current Liabilities | 41,268 | 39,856 |
| Total Current Liabilities | 2,114,617 | 2,795,584 |
| | | |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | — | 8,498 |
| Other Long-Term Liabilities | 134,432 | 140,393 |
| Total Deferred Credits and Other Liabilities | 134,432 | 148,891 |
| | | |
| Long-Term Debt | 9,952,351 | 6,972,804 |
| | | |
| Common Shareholders' Equity: | | |
| Common Shares | 1,799,920 | 1,799,920 |
| Capital Surplus, Paid in | 8,460,876 | 8,401,731 |
| Retained Earnings | 4,142,515 | 5,527,153 |
| Accumulated Other Comprehensive Loss | (33,737) | (39,421) |
| Treasury Stock | (195,682) | (216,225) |
| Common Shareholders' Equity | 14,173,892 | 15,473,158 |
| | | |
| Total Liabilities and Capitalization | $ 26,375,292 | $ 25,390,437 |

See the Combined Notes to Financial Statements in this Annual Report on Form 10-K for a description of significant accounting matters related to Eversource parent, including Eversource common shares information as described in Note 18, "Common Shares," material obligations and guarantees as described in Note 13, "Commitments and Contingencies," and debt agreements as described in Note 8, "Short-Term Debt," and Note 9, "Long-Term Debt."

SCHEDULE I
EVERSOURCE ENERGY (PARENT)
FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF (LOSS)/INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Thousands of Dollars, Except Share Information)

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Revenues | $ 840 | $ — | $ — |
| Operating Expenses: | | | |
| Other | 12,769 | 26,708 | 43,048 |
| Operating Loss | (11,929) | (26,708) | (43,048) |
| Interest Expense | 397,281 | 237,773 | 163,613 |
| Other Income, Net: | | | |
| Equity in (Losses)/Earnings of Subsidiaries | (312,040) | 1,565,474 | 1,345,199 |
| Other, Net | 188,003 | 79,383 | 47,802 |
| Other (Loss)/Income, Net | (124,037) | 1,644,857 | 1,393,001 |
| (Loss)/Income Before Income Tax Benefit | (533,247) | 1,380,376 | 1,186,340 |
| Income Tax Benefit | (91,007) | (24,499) | (34,187) |
| Net (Loss)/Income | $ (442,240) | $ 1,404,875 | $ 1,220,527 |
| Basic (Loss)/Earnings per Common Share | $ (1.27) | $ 4.05 | $ 3.55 |
| Diluted (Loss)/Earnings per Common Share | $ (1.26) | $ 4.05 | $ 3.54 |
| Weighted Average Common Shares Outstanding: | | | |
| Basic | 349,580,638 | 346,783,444 | 343,972,926 |
| Diluted | 349,840,481 | 347,246,768 | 344,631,056 |

STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

| (Thousands of Dollars) | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net (Loss)/Income | $ (442,240) | $ 1,404,875 | $ 1,220,527 |
| Other Comprehensive Income, Net of Tax: | | | |
| Qualified Cash Flow Hedging Instruments | 20 | 20 | 972 |
| Changes in Unrealized Gains/(Losses) on Marketable Securities | 1,252 | (1,636) | (671) |
| Changes in Funded Status of Pension, SERP and PBOP Benefit Plans | 4,412 | 4,470 | 33,835 |
| Other Comprehensive Income, Net of Tax | 5,684 | 2,854 | 34,136 |
| Comprehensive (Loss)/Income | $ (436,556) | $ 1,407,729 | $ 1,254,663 |

See the Combined Notes to Financial Statements in this Annual Report on Form 10-K for a description of significant accounting matters related to Eversource parent, including Eversource common shares information as described in Note 18, "Common Shares," material obligations and guarantees as described in Note 13, "Commitments and Contingencies," and debt agreements as described in Note 8, "Short-Term Debt," and Note 9, "Long-Term Debt."

SCHEDULE I
EVERSOURCE ENERGY (PARENT)
FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021
(Thousands of Dollars)

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating Activities: | | | |
| Net (Loss)/Income | $ (442,240) | $ 1,404,875 | $ 1,220,527 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | | |
| Equity in Losses/(Earnings) of Subsidiaries | 312,040 | (1,565,474) | (1,345,199) |
| Cash Dividends Received from Subsidiaries | 1,027,400 | 855,600 | 1,037,100 |
| Deferred Income Taxes | (22,256) | 25,823 | 20,293 |
| Other | (12,834) | 26,455 | 36,910 |
| Changes in Current Assets and Liabilities: | | | |
| Accounts Receivables from Subsidiaries | (6,853) | (9,935) | (3,758) |
| Taxes Receivable/Accrued, Net | (80,968) | (21,627) | (19,455) |
| Accounts Payable to Subsidiaries | 4,521 | (4,079) | 19,185 |
| Other Current Assets and Liabilities, Net | 35,357 | 35,090 | 8,144 |
| Net Cash Flows Provided by Operating Activities | 814,167 | 746,728 | 973,747 |
| Investing Activities: | | | |
| Capital Contributions to Subsidiaries | (1,369,700) | (1,499,300) | (1,033,000) |
| Return of Capital from Subsidiaries | 438,000 | 12,000 | 178,800 |
| Increase in Notes Receivable from Subsidiaries | (1,578,100) | (724,400) | (140,200) |
| Other Investing Activities | 147,567 | (1,289) | (3,196) |
| Net Cash Flows Used in Investing Activities | (2,362,233) | (2,212,989) | (997,596) |
| Financing Activities: | | | |
| Issuance of Common Shares, Net of Issuance Costs | — | 197,058 | — |
| Cash Dividends on Common Shares | (918,995) | (860,033) | (805,439) |
| Issuance of Long-Term Debt | 3,350,000 | 2,800,000 | 1,000,000 |
| Retirement of Long-Term Debt | (1,200,000) | (750,000) | (450,000) |
| Increase in Notes Payable | 329,705 | 99,250 | 288,625 |
| Other Financing Activities | (13,076) | (19,193) | (9,545) |
| Net Cash Flows Provided by Financing Activities | 1,547,634 | 1,467,082 | 23,641 |
| Net (Decrease)/Increase in Cash and Restricted Cash | (432) | 821 | (208) |
| Cash and Restricted Cash - Beginning of Year | 1,047 | 226 | 434 |
| Cash and Restricted Cash - End of Year | $ 615 | $ 1,047 | $ 226 |
| Supplemental Cash Flow Information: | | | |
| Cash Paid/(Received) During the Year for: | | | |
| Interest | $ 366,645 | $ 215,053 | $ 164,568 |
| Income Taxes | $ 23,984 | $ (20,992) | $ (51,277) |

See the Combined Notes to Financial Statements in this Annual Report on Form 10-K for a description of significant accounting matters related to Eversource parent, including Eversource common shares information as described in Note 18, "Common Shares," material obligations and guarantees as described in Note 13, "Commitments and Contingencies," and debt agreements as described in Note 8, "Short-Term Debt," and Note 9, "Long-Term Debt."

SCHEDULE II
EVERSOURCE ENERGY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Thousands of Dollars)

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | | Additions | | | |
| | | (1) | (2) | | |
| **Description:** | **Balance as of Beginning of Year** | **Charged to Costs and Expenses** | **Charged to Other Accounts - Describe (a)** | **Deductions -Describe (b)** | **Balance as of End of Year** |
| Eversource: | | | | | |
| Reserves Deducted from Assets - | | | | | |
| Reserves for Uncollectible Accounts: | | | | | |
| 2023 | $ 486,297 | $ 72,468 | $ 158,205 | $ 162,515 | $ 554,455 |
| 2022 | 417,406 | 61,876 | 112,533 | 105,518 | 486,297 |
| 2021 | 358,851 | 60,886 | 110,572 | 112,903 | 417,406 |
| CL&P: | | | | | |
| Reserves Deducted from Assets - | | | | | |
| Reserves for Uncollectible Accounts: | | | | | |
| 2023 | $ 225,320 | $ 11,675 | $ 126,360 | $ 67,325 | $ 296,030 |
| 2022 | 181,319 | 15,578 | 59,485 | 31,062 | 225,320 |
| 2021 | 157,447 | 13,495 | 57,779 | 47,402 | 181,319 |
| NSTAR Electric: | | | | | |
| Reserves Deducted from Assets - | | | | | |
| Reserves for Uncollectible Accounts: | | | | | |
| 2023 | $ 94,958 | $ 22,791 | $ 17,488 | $ 38,211 | $ 97,026 |
| 2022 | 97,005 | 21,550 | 12,412 | 36,009 | 94,958 |
| 2021 | 91,583 | 16,649 | 20,064 | 31,291 | 97,005 |
| PSNH: | | | | | |
| Reserves Deducted from Assets - | | | | | |
| Reserves for Uncollectible Accounts: | | | | | |
| 2023 | $ 29,236 | $ 3,989 | $ (8,735) | $ 10,168 | $ 14,322 |
| 2022 | 24,331 | 9,211 | 2,539 | 6,845 | 29,236 |
| 2021 | 17,157 | 13,113 | 3,135 | 9,074 | 24,331 |

(a) Amounts relate to uncollectible accounts receivables reserved for that are not charged to bad debt expense. CL&P, NSTAR Electric, NSTAR Gas, EGMA and Yankee Gas are allowed to recover in rates, amounts associated with certain uncollectible hardship accounts receivable. CL&P, NSTAR Electric, PSNH, NSTAR Gas and EGMA are also allowed to recover uncollectible energy supply costs through regulatory tracking mechanisms.

(b) Amounts written off, net of recoveries.

## EXHIBIT INDEX

Each document described below is incorporated by reference by the registrant(s) listed to the files identified, unless designated with a (*), which exhibits are filed herewith. Management contracts and compensation plans or arrangements are designated with a (+).

**Exhibit**
**Number** **Description**

3. Articles of Incorporation and By-Laws

(A) Eversource Energy

3.1 Declaration of Trust of Eversource Energy, as amended through May 3, 2017 (Exhibit 3.1, Eversource Form 10-Q filed on May 5, 2017)

(B) The Connecticut Light and Power Company

3.1 Amended and Restated Certificate of Incorporation (Exhibit 3(i), CL&P Current Report on Form 8-K filed on January 9, 2012, File No. 000-00404)

3.2 By-laws of CL&P, as amended and restated effective September 29, 2014 (Exhibit 3.1, CL&P Current Report on Form 8-K filed October 2, 2014, File No. 000-00404)

(C) NSTAR Electric Company

3.1 Restated Articles of Organization of NSTAR Electric Company, fka Boston Edison Company (Exhibit 3.1, NSTAR Electric Form 10-Q for the Quarter Ended June 30, 1994 filed August 12, 1994, File No. 001-02301)

3.2 Bylaws of NSTAR Electric Company, as amended and restated effective September 29, 2014 (Exhibit 3.1, NSTAR Electric Current Report on Form 8-K filed October 2, 2014, File No. 000-02301)

(D) Public Service Company of New Hampshire

3.1 Articles of Incorporation, as amended to May 16, 1991 (Exhibit 3.3.1, 1993 PSNH Form 10-K filed March 25, 1994, File No. 001-06392)

3.2 By-laws of PSNH, as in effect June 27, 2008 (Exhibit 3, PSNH Form 10-Q for the Quarter Ended June 30, 2008 filed August 7, 2008, File No. 001-06392)

4. Instruments defining the rights of security holders, including indentures

(A) Eversource Energy

4.1 Indenture between Eversource Energy and The Bank of New York as Trustee dated as of April 1, 2002 (Exhibit A-3, Eversource Energy 35-CERTfiled April 16, 2002, File No. 070-09535)

4.1.1 Sixth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2015, relating to $300 million of Senior Notes, Series H, due 2025 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 21, 2015, File No. 001-05324)

4.1.2 Seventh Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of March 7, 2016, relating to $250 million of Senior Notes, Series J, due 2026 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed March 15, 2016, File No. 001-05324)

4.1.3 Ninth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of October 1, 2017, relating to $450 million of Senior Notes, Series K, due 2022 and $450 million of Senior Notes, Series L, due 2024 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed October 12, 2017, File No. 001-05324)

4.1.4 Tenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2018, relating to $450 million of Senior Notes, Series M, Due 2028 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 12, 2018, File No. 001-05324)

4.1.5 Eleventh Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of December 1, 2018, relating to $400 million of Senior Notes, Series N, Due 2023 and $500 million of Senior Notes, Series O, Due 2029 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed December 18, 2018, File No. 001-05324)

4.1.6 Twelfth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2020, relating to $650 million of Senior Notes, Series P, Due 2050 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 16, 2020, File No. 001-05324)

4.1.7 Thirteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of August 1, 2020, relating to $300 million aggregate principal amount of Senior Notes, Series Q, Due 2025 and $600 million aggregate principal amount of Senior Notes, Series R, Due 2030 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed August 20, 2020, File No. 001-05324)

4.1.8 Fourteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of March 1, 2021, relating to $350 million aggregate principal amount of Senior Notes, Series S, Due 2031 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed March 16, 2021, File No. 001-05324)

4.1.9 Fifteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of August 1, 2021, relating to $350 million aggregate principal amount of Floating Rate Senior Notes, Series T and $300 million aggregate principal amount of Senior Notes, Series U, Due 2026 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed August 13, 2021, File No. 001-05324)

4.1.10 Sixteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of February 1, 2022, relating to $650 million aggregate principal amount of Senior Notes, Series V, Due 2027 and $650 million aggregate principal amount of Senior Notes, Series W, Due 2032 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed February 25, 2022, File No. 001-05324)

4.1.11 Seventeenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of June 1, 2022, relating to $900 million aggregate principal amount of Senior Notes, Series X, Due 2024 and $600 million aggregate principal amount of Senior Notes, Series Y, Due 2027 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed June 27, 2022, File No. 001-05324)

4.1.12 Eighteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of March 1, 2023, relating to $1.3 billion aggregate principal amount of Senior Notes, Series Z, Due 2028 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed March 6, 2023, File No. 001-05324)

4.1.13 Nineteenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of May 1, 2023, relating to $450 million aggregate principal amount of Senior Notes, Series AA, Due 2026 and $800 million aggregate principal amount of Senior Notes, Series BB, Due 2033 (Exhibit 4.3, Eversource Energy Current Report on Form 8-K filed May 11, 2023, File No. 001-05324)

4.1.14 Twentieth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of November 1, 2023, relating to $800 million aggregate principal amount of Senior Notes, Series CC, Due 2029 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed November 13, 2023, File No. 001-05324)

4.1.15 Twenty-First Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2024, relating to $350 million aggregate principal amount of Senior Notes, Series DD, Due 2027 and $650 million aggregate principal amount of Senior Notes, Series EE, Due 2034 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 19, 2024, File No. 001-05324)

4.2 Eversource Energy Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Exhibit 4.3, Eversource Energy Annual Report on Form 10-K filed February 27, 2020, File No. 001-05324)

(B) The Connecticut Light and Power Company

4.1 Indenture of Mortgage and Deed of Trust between CL&P and Bankers Trust Company, Trustee, dated as of May 1, 1921 (Composite including all twenty-four amendments to May 1, 1967) (Exhibit 4.1, 2017 Eversource 10-K filed on February 26, 2018)

4.1.1 Series D Supplemental Indentures to the Composite May 1, 1921 Indenture of Mortgage and Deed of Trust between CL&P and Bankers Trust Company, dated as of October 1, 1994 (Exhibit 4.2.16, 1994 CL&P Form 10-K filed March 27, 1995, File No. 001-11419)

4.1.2 Series B Supplemental Indenture between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of September 1, 2004 (Exhibit 99.5, CL&P Current Report on Form 8-K filed September 22, 2004, File No. 000-00404)

4.2 Composite Indenture of Mortgage and Deed of Trust between CL&P and Deutsche Bank Trust Company Americas f/k/a Bankers Trust Company, dated as of May 1, 1921, as amended and supplemented by seventy-three supplemental mortgages to and including Supplemental Mortgage dated as of April 1, 2005 (Exhibit 99.5, CL&P Current Report on Form 8-K filed April 13, 2005, File No. 000-00404)

4.2.1 Supplemental Indenture (2005 Series B Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of April 1, 2005 (Exhibit 99.2, CL&P Current Report on Form 8-K filed April 13, 2005, File No. 000-00404)

4.2.2 Supplemental Indenture (2006 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of June 1, 2006 (Exhibit 99.2, CL&P Current Report on Form 8-K filed June 7, 2006, File No. 000-00404)

4.2.3 Supplemental Indenture (2007 Series B Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of March 1, 2007 (Exhibit 99.2, CL&P Current Report on Form 8-K filed March 29, 2007, File No. 000-00404)

4.2.4 Supplemental Indenture (2007 Series D Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of September 1, 2007 (Exhibit 4, CL&P Current Report on Form 8-K filed September 19, 2007, File No. 000-00404)

4.2.5 Supplemental Indenture (2014 Series A Bond) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of April 1, 2014 (Exhibit 4.1, CL&P Current Report on Form 8-K filed April 29, 2014, File No. 000-00404)

4.2.6 Supplemental Indenture (2015 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of May 1, 2015 (Exhibit 4.1, CL&P Current Report on Form 8-K filed May 26, 2015, File No. 000-00404)

4.2.7 Supplemental Indenture (2015 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of November 1, 2015 (Exhibit 4.1, CL&P Current Report on Form 8-K filed December 4, 2015, File No. 000-00404)

4.2.8 Supplemental Indenture (2017 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of March 1, 2017 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on March 16, 2017, File No. 000-00404)

4.2.9 Supplemental Indenture (2014 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of August 1, 2017 (Exhibit 4.1, CL&P Current Report on Form 8-K filed August 23, 2017, File No. 000-00404)

4.2.10 Supplemental Indenture (2018 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of March 1, 2018 (Exhibit 4.1, CL&P Current Report on Form 8-K filed April 2, 2018, File No. 000-00404)

4.2.11 Supplemental Indenture (2018 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of March 1, 2019 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on April 4, 2019, File No. 000-00404)

4.2.12 Supplemental Indenture (2017 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of September 1, 2019 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on September 23, 2019, File No. 000-00404)

4.2.13 Supplemental Indenture (2020 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of December 1, 2020 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on December 4, 2020, File No. 000-00404)

4.2.14 Supplemental Indenture (2021 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of June 1, 2021 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on July 2, 2021, File No. 000-00404)

4.2.15 Supplemental Indenture (2023 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of January 1, 2023 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on January 10, 2023, File No. 000-00404)

4.2.16 Supplemental Indenture (2023 Series B Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of July 1, 2023 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on July 6, 2023, File No. 000-00404)

4.2.17 Supplemental Indenture (2024 Series A Bonds) between CL&P and Deutsche Bank Trust Company Americas, as Trustee dated as of January 1, 2024 (Exhibit 4.1, CL&P Current Report on Form 8-K filed on January 23, 2024, File No. 000-00404)

4.3 CL&P Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Exhibit 4.4, Eversource Energy Annual Report on Form 10-K filed February 27, 2020, File No. 001-05324)

(C) NSTAR Electric Company

4.1 Indenture between Boston Edison Company and the Bank of New York (as successor to Bank of Montreal Trust Company) (Exhibit 4.1, 2017 Eversource Form 10-K filed February 26, 2018)

4.1.1 A Form of 5.75% Debenture Due March 15, 2036 (Exhibit 99.2, Boston Edison Company Current Report on Form 8-K filed March 17, 2006, File No. 001-02301)

4.1.2 A Form of 5.50% Debenture Due March 15, 2040 (Exhibit 99.2, NSTAR Electric Company Current Report on Form 8-K filed March 15, 2010, File No. 001-02301)

4.1.3 A Form of 4.40% Debenture Due 2044 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed March 13, 2014, File No. 001-02301)

4.1.4 A Form of 3.25% Debenture due 2025 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed on November 20, 2015, File No. 001-02301)

4.1.5 A Form of 2.70% Debenture due 2026 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed on May, 31, 2016, File No. 001-02301)

4.1.6 Form of 3.20% Debenture due May 15, 2027 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K/A filed on October 12, 2017 File No. 001-02301)

4.1.7 Form of 3.25% Debenture due May 15, 2029 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed on May 23, 2019, File No. 001-02301)

4.1.8 Form of 3.95% Debenture due April 1, 2030 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed on March 26, 2020, File No. 001-02301)

4.1.9 Form of 3.10% Debenture due June 1, 2051 (Exhibit 4, NSTAR Electric Company Current Report on Form 8-K filed on June 2, 2021, File No. 001-02301)

4.1.10 Form of 1.95% Debenture due August 15, 2031 (Exhibit 4.1, NSTAR Electric Company Current Report on Form 8-K filed on August 23, 2021, File No. 001-02301)

4.1.11 Form of 4.55% Debenture due June 1, 2052 (Exhibit 4.1, NSTAR Electric Company Current Report on Form 8-K filed on May 17, 2022, File No. 001-02301)

4.1.12 Form of 4.95% Debenture due September 15, 2052 (Exhibit 4.1, NSTAR Electric Company Current Report on Form 8-K filed on September 15, 2022, 2021, File No. 001-02301)

4.1.13 Form of 5.60% Debenture due October 1, 2028 (Exhibit 4.1, NSTAR Electric Company Current Report on Form 8-K filed on September 25, 2023, 2021, File No. 001-02301)

4.2 Second Amended and Restated Credit Agreement, dated as of October 15, 2021, by and among NSTAR Electric Company and the Banks named therein, pursuant to which Barclays Bank PLC serves as Administrative Agent and Swing Line Lender (Exhibit 10.13, 2021 Eversource Form 10-K filed on February 17, 2022)

4.2.1 First Amendment to Second Amended and Restated Credit Agreement and Extension Agreement, dated October 17, 2022, by and between NSTAR Electric Company and the Banks named therein, pursuant to which Barclays Bank PLC serves as Administrative Agent and Swing Line Lender (Exhibit 4.1, Eversource Form 10-Q filed on November 4, 2022)

4.3 Indenture between NSTAR Electric Company, as successor to Western Massachusetts Electric Company (WMECO), and The Bank of New York, as Trustee, dated as of September 1, 2003 (Exhibit 99.2, WMECO Current Report on Form 8-K filed October 8, 2003, File No. 000-07624)

4.3.1 Second Supplemental Indenture between NSTAR Electric Company, as successor to WMECO, and The Bank of New York, as Trustee dated as of September 1, 2004 (Exhibit 4.1, WMECO Current Report on Form 8-K filed September 27, 2004, File No. 000-07624)

4.3.2 Fourth Supplemental Indenture between NSTAR Electric Company, as successor to WMECO, and The Bank of New York Trust, as Trustee, dated as of August 1, 2007 (Exhibit 4.1, WMECO Current Report on Form 8-K filed August 20, 2007, File No. 000-07624)

4.3.3 Eighth Supplemental Indenture between NSTAR Electric Company, as successor to WMECO, and The Bank of New York Trust Company, N.A., as Trustee, dated as of June 1, 2016 (Exhibit 4.1, WMECO Current Report on Form 8-K filed June 29, 2016, File No. 000-07624)

4.4 NSTAR Electric Company Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Exhibit 4.4, Eversource Energy Annual Report on Form 10-K filed February 27, 2020, File No. 001-05324)

(D) Public Service Company of New Hampshire

4.1 First Mortgage Indenture between PSNH and First Fidelity Bank, National Association, New Jersey, now First Union National Bank, Trustee, dated as of August 15, 1978 (Composite including all amendments effective June 1, 2011) (included as Exhibit C to the Eighteenth Supplemental Indenture filed as Exhibit 4.1 to PSNH Current Report on Form 8-K filed June 2, 2011, File No. 001-06392)

4.1.1 Fourteenth Supplemental Indenture between PSNH and Wachovia Bank, National Association successor to First Union National Bank, as successor to First Fidelity Bank, National Association, as Trustee dated as of October 1, 2005 (Exhibit 99.2, PSNH Current Report on Form 8-K filed October 6, 2005, File No. 001-06392)

4.1.2 Twenty-Second Supplemental Indenture, between PSNH and U.S. Bank National Association, as Trustee dated as of June 1, 2019 (Exhibit 4.1, PSNH Current Report on Form 8-K filed on July 3, 2019 (File No. 001-06392)

4.1.3 Twenty-Third Supplemental Indenture, between PSNH and U.S. Bank National Association, as Trustee dated as of August 1, 2020 (Exhibit 4.1, PSNH Current Report on Form 8-K filed on August 31, 2020 (File No. 001-06392)

4.1.4 Twenty-Fourth Supplemental Indenture, between PSNH and U.S. Bank National Association, as Trustee dated as of June 1, 2021 (Exhibit 4.1, PSNH Current Report on Form 8-K filed on June 21, 2021 (File No. 001-06392)

4.1.5 Twenty-Fifth Supplemental Indenture, between PSNH and U.S. Bank Trust Company, National Association, as Trustee dated as of January 1, 2023 (Exhibit 4.1, PSNH Current Report on Form 8-K filed on January 11, 2023 (File No. 001-06392)

4.1.6 Twenty-Sixth Supplemental Indenture, between PSNH and U.S. Bank Trust Company, National Association, as Trustee dated as of September 1, 2023 (Exhibit 4.1, PSNH Current Report on Form 8-K filed on September 25, 2023 (File No. 001-06392)

4.2 Series A Loan and Trust Agreement among Business Finance Authority of the State of New Hampshire and PSNH and State Street Bank and Trust Company, as Trustee (Tax Exempt Pollution Control Bonds) dated as of October 1, 2001 (Exhibit 4.3.4, 2001 Eversource Energy Form 10-K filed March 22, 2002, File No. 001-05324)

(F) Eversource Energy, The Connecticut Light and Power Company and Public Service Company of New Hampshire

4.1 Second Amended and Restated Credit Agreement, dated as of October 15, 2021, by and among Eversource, Aquarion Water Company of Connecticut, NSTAR Gas, CL&P, PSNH, Yankee Gas and EGMA and the Banks named therein, pursuant to which Bank of America, N.A. serves as Administrative Agent and Swing Line Lender (Exhibit 10.12, 2021 Eversource Form 10-K filed on February 17, 2022)

4.1.1 First Amendment to Second Amended and Restated Credit Agreement and Extension Agreement, dated October 17, 2022, by and among Eversource, Aquarion Water Company of Connecticut, NSTAR Gas, CL&P, PSNH, Yankee Gas and EGMA and the Banks named therein, pursuant to which Bank of America, N.A. serves as Administrative Agent and Swing Line Lender (Exhibit 4, Eversource Form 10-Q filed on November 4, 2022)

*4.1.2 Second Amendment to Second Amended and Restated Credit Agreement and Extension Agreement, dated November 29, 2023, by and among Eversource, Aquarion Water Company of Connecticut, NSTAR Gas, CL&P, PSNH, Yankee Gas and EGMA and the Banks named therein, pursuant to which Bank of America, N.A. serves as Administrative Agent and Swing Line Lender.

10. Material Contracts

(A) Eversource Energy

10.1 Lease between The Rocky River Realty Company and Eversource Energy Service Company, dated as of July 1, 2008 (Exhibit 10.1, 2017 Eversource Form 10-K filed on February 26, 2018)

*+10.2 Eversource Energy Board of Trustees'Compensation Arrangement Summary

+10.3 Eversource Supplemental Executive Retirement Program effective as of January 1, 2015 (Exhibit 10.5, 2015 Eversource Energy Form 10-K filed February 26, 2016, File No. 001-05324)

+10.4 Eversource Energy Deferred Compensation Plan for Executives effective as of January 1, 2014 (Exhibit 10.6, 2015 Eversource Energy Form 10-K filed February 26, 2016, File No. 001-05324)

+10.4.1 Amendment No 1 to the Eversource Deferred Compensation Plan effective February 7, 2018 (Exhibit 10.6.1, Eversource Energy Annual Report on Form 10-K filed February 27, 2020, File No. 001-05324)

+10.5 NSTAR Excess Benefit Plan, effective August 25, 1999 (Exhibit 10.1 1999 NSTAR Form 10-K/A filed September 29, 2000, File No. 001-14768)

+10.5.1 NSTAR Excess Benefit Plan, incorporating the NSTAR 409A Excess Benefit Plan, as amended and restated effective January 1, 2008, dated December 24, 2008 (Exhibit 10.1.1 2008 NSTAR Form 10-K filed February 9, 2009, File No. 001-14768)

+10.6 Amended and Restated Change in Control Agreement by and between Joseph R. Nolan, Jr. and NSTAR, dated November 15, 2007 (Exhibit 10.13, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.7 Amended and Restated Change in Control Agreement by and between Senior Vice President and NSTAR, dated November 15, 2007 (Exhibit 10.15, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.8 Master Trust Agreement between NSTAR and State Street Bank and Trust Company (Rabbi Trust), effective August 25, 1999 (Exhibit 10.5, NSTAR Form 10-Q for the Quarter Ended September 30, 2000 filed November 14, 2000, File No. 001-14768)

+10.9 Currently effective Change in Control Agreement between NSTAR's Vice Presidents and NSTAR (in form) (Exhibit 10.17, 2009 NSTAR Form 10-K filed February 25, 2010, File No. 001-14768)

(B) Eversource Energy, The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire

10.1 Amended and Restated Form of Service Contract between each of Eversource Energy, CL&P, NSTAR Electric Company and Eversource Energy Service Company dated as of January 1, 2014. (Exhibit 10.1, Eversource Energy Form 10-K filed on February 25, 2014, File No. 001-05324)

10.2 Transmission Operating Agreement between the Initial Participating Transmission Owners, Additional Participating Transmission Owners and ISO New England, Inc. dated as of February 1, 2005 (Exhibit 10.29, 2004 Eversource Energy Form 10-K filed March 17, 2005, File No. 001-05324)

10.2.1 Rate Design and Funds Disbursement Agreement among the Initial Participating Transmission Owners, Additional Participating Transmission Owners and ISO New England, Inc., effective June 30, 2006 (Exhibit 10.22.1, 2006 Eversource Energy Form 10-K filed March 1, 2007, File No. 001-05324)

10.3 Eversource Energy's Third Amended and Restated Tax Allocation Agreement dated as of April 10, 2012, (Exhibit 10.1 Eversource Energy Form 10-Q for Quarter Ended June 30, 2012 filed August 7, 2012, File No. 001-05324)

+10.4 Amended and Restated Incentive Plan Effective January 1, 2009 (Exhibit 10.3, Eversource Energy Form 10-Q for the Quarter Ended September 30, 2008 filed November 10, 2008, File No. 001-05324)

+10.5 2018 Eversource Energy Incentive Plan (Exhibit 99.2, Eversource Energy Current Report on Form 8-K dated May 3, 2018)

10.5.1 Amendment Number 1 to the 2018 Eversource Incentive Plan, effective May 3, 2023 (Appendix A to the Eversource Energy Definitive Proxy Statement for the 2023 Eversource Energy Annual Meeting of Shareholders, dated March 24, 2023)

+10.6 Trust under Supplemental Executive Retirement Plan dated May 2, 1994 (Exhibit 10.33, 2002 Eversource Energy Form 10-K filed March 21, 2003, File No. 001-05324)

+10.6.1 First Amendment to Trust Under Supplemental Executive Retirement Plan, effective as of December 10, 2002 (Exhibit 10 (B) 10.19.1, 2003 Eversource Energy Form 10-K filed March 12, 2004, File No. 001-05324)

+10.6.2 Second Amendment to Trust Under Supplemental Executive Retirement Plan, effective as of November 12, 2008 (Exhibit 10.12.2, 2008 Eversource Energy Form 10-K filed February 27, 2009, File No. 001-05324)

+10.7 Special Severance Program for Officers of Eversource Energy Companies as of January 1, 2009 (Exhibit 10.2 Eversource Energy Form 10-Q for Quarter Ended September 30, 2008 filed November 10, 2008, File No. 001-05324)

+10.8 Amended and Restated Employment Agreement with Gregory B. Butler, effective January 1, 2009 (Exhibit 10.7, 2008 Eversource Energy 2010 Form 10-K filed February 27, 2009, File No. 001-05324)

(C) Eversource Energy, The Connecticut Light and Power Company, Public Service Company of New Hampshire and NSTAR Electric Company

10.1 Eversource Energy Service Company Transmission and Ancillary Service Wholesale Revenue Allocation Methodology among The Connecticut Light and Power Company, NSTAR Electric Company, Public Service Company of New Hampshire, Holyoke Water Power Company and Holyoke Power and Electric Company Trustee dated as of January 1, 2008 (Exhibit 10.1, Eversource Energy Form 10-Q for the Quarter Ended March 31, 2008 filed May 9, 2008, File No. 001-05324)

*19. Insider Trading Policy

*21. Subsidiaries of the Registrant

*23. Consents of Independent Registered Public Accounting Firm

*31. Rule 13a - 14(a)/15 d - 14(a) Certifications

(A) Eversource Energy

31 Certification by the Chairman of the Board, President and Chief Executive Officer of Eversource Energy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.1 Certification by the Chief Financial Officer of Eversource Energy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(B) The Connecticut Light and Power Company

31 Certification by the Chairman and Chief Executive Officer of CL&P pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.1 Certification by the Chief Financial Officer of CL&P pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(C) NSTAR Electric Company

31 Certification by the Chairman of NSTAR Electric Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.1 Certification by the Chief Financial Officer of NSTAR Electric Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(D) Public Service Company of New Hampshire

31 Certification by the Chairman of PSNH pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.1 Certification by the Chief Financial Officer of PSNH pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

*32 18 U.S.C. Section 1350 Certifications

(A) Eversource Energy

32 Certification by the Chairman of the Board, President and Chief Executive Officer and the Chief Financial Officer of Eversource Energy pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(B) The Connecticut Light and Power Company

32 Certification by the Chairman and Chief Executive Officer and the Chief Financial Officer of CL&P pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(C) NSTAR Electric Company

32 Certification by the Chairman and the Chief Financial Officer of NSTAR Electric Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(D) Public Service Company of New Hampshire

32 Certification by the Chairman and the Chief Financial Officer of PSNH pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*97 Clawback Policy

*101.INS Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document

*101.SCH Inline XBRL Taxonomy Extension Schema

*101.CAL Inline XBRL Taxonomy Extension Calculation

*101.DEF Inline XBRL Taxonomy Extension Definition

*101.LAB Inline XBRL Taxonomy Extension Labels

*101.PRE Inline XBRL Taxonomy Extension Presentation

*104 The cover page from the Annual Report on Form 10-K for the year ended December 31, 2023, formatted in Inline XBRL

**EVERSOURCE ENERGY**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**EVERSOURCE ENERGY**

| | |
|---|---|
| February 14, 2024 | By: /s/ Jay S. Buth |
| | Jay S. Buth |
| | Vice President, Controller and Chief Accounting Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Gregory B. Butler, John M. Moreira and Jay S. Buth and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|---|
| /s/ Joseph R. Nolan, Jr.<br>Joseph R. Nolan, Jr. | Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) | February 14, 2024 |
| /s/ John M. Moreira<br>John M. Moreira | Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) | February 14, 2024 |
| /s/ Jay S. Buth<br>Jay S. Buth | Vice President, Controller and Chief Accounting Officer | February 14, 2024 |
| /s/ Cotton M. Cleveland<br>Cotton M. Cleveland | Trustee | February 14, 2024 |
| /s/ Francis A. Doyle<br>Francis A. Doyle | Trustee | February 14, 2024 |
| /s/ Linda Dorcena Forry<br>Linda Dorcena Forry | Trustee | February 14, 2024 |
| /s/ Gregory M. Jones<br>Gregory M. Jones | Trustee | February 14, 2024 |

| Signature | Title | Date |
|---|---|---|
| /s/ Loretta D. Keane<br>Loretta D. Keane | Trustee | February 14, 2024 |
| /s/ John Y. Kim<br>John Y. Kim | Trustee | February 14, 2024 |
| /s/ Kenneth R. Leibler<br>Kenneth R. Leibler | Trustee | February 14, 2024 |
| /s/ David H. Long<br>David H. Long | Trustee | February 14, 2024 |
| /s/ Daniel J. Nova<br>Daniel J. Nova | Trustee | February 14, 2024 |
| /s/ William C. Van Faasen<br>William C. Van Faasen | Trustee | February 14, 2024 |
| /s/ Frederica M. Williams<br>Frederica M. Williams | Trustee | February 14, 2024 |

**THE CONNECTICUT LIGHT AND POWER COMPANY**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**THE CONNECTICUT LIGHT AND POWER COMPANY**

February 14, 2024

By: /s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Gregory B. Butler, John M. Moreira and Jay S. Buth and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|---|
| /s/ Paul Chodak III<br>Paul Chodak III | Chairman and Chief Executive Officer and a Director (Principal Executive Officer) | February 14, 2024 |
| /s/ John M. Moreira<br>John M. Moreira | Executive Vice President, Chief Financial Officer and Treasurer and a Director (Principal Financial Officer) | February 14, 2024 |
| /s/ Gregory B. Butler<br>Gregory B. Butler | Executive Vice President and General Counsel and a Director | February 14, 2024 |
| /s/ Jay S. Buth<br>Jay S. Buth | Vice President, Controller and Chief Accounting Officer | February 14, 2024 |
| /s/ Penelope M. Conner<br>Penelope M. Conner | Director | February 14, 2024 |
| /s/ Chandler J. Howard<br>Chandler J. Howard | Director | February 14, 2024 |
| /s/ Patrick J. McGrath<br>Patrick J. McGrath | Director | February 14, 2024 |
| /s/ Ian G. Nicholson<br>Ian G. Nicholson | Director | February 14, 2024 |

**NSTAR ELECTRIC COMPANY**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NSTAR ELECTRIC COMPANY**

| | |
|---|---|
| February 14, 2024 | By: /s/ Jay S. Buth |
| | Jay S. Buth<br>Vice President, Controller and Chief Accounting Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Gregory B. Butler, John M. Moreira and Jay S. Buth and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|---|
| /s/ Joseph R. Nolan, Jr.<br>Joseph R. Nolan, Jr. | Chairman and a Director<br>(Principal Executive Officer) | February 14, 2024 |
| /s/ Paul Chodak III<br>Paul Chodak III | Chief Executive Officer and a Director | February 14, 2024 |
| /s/ John M. Moreira<br>John M. Moreira | Executive Vice President, Chief Financial Officer and Treasurer and a Director<br>(Principal Financial Officer) | February 14, 2024 |
| /s/ Gregory B. Butler<br>Gregory B. Butler | Executive Vice President and General Counsel and a Director | February 14, 2024 |
| /s/ Jay S. Buth<br>Jay S. Buth | Vice President, Controller and Chief Accounting Officer | February 14, 2024 |

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

February 14, 2024

By: /s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Gregory B. Butler, John M. Moreira and Jay S. Buth and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|---|
| /s/ Joseph R. Nolan, Jr.<br>Joseph R. Nolan, Jr. | Chairman and a Director<br>(Principal Executive Officer) | February 14, 2024 |
| /s/ Paul Chodak III<br>Paul Chodak III | Chief Executive Officer and a Director | February 14, 2024 |
| /s/ John M. Moreira<br>John M. Moreira | Executive Vice President, Chief Financial Officer and Treasurer and a Director<br>(Principal Financial Officer) | February 14, 2024 |
| /s/ Gregory B. Butler<br>Gregory B. Butler | Executive Vice President and General Counsel and a Director | February 14, 2024 |
| /s/ Jay S. Buth<br>Jay S. Buth | Vice President, Controller and Chief Accounting Officer | February 14, 2024 |

Exhibit 31

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph R. Nolan, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Eversource Energy (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ Joseph R. Nolan, Jr.

Joseph R. Nolan, Jr.
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John M. Moreira, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eversource Energy (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Eversource Energy (the registrant) for the period ending December 31, 2023 as filed with the Securities and Exchange Commission (the Report), we, Joseph R. Nolan, Jr., Chairman of the Board, President and Chief Executive Officer of the registrant, and John M. Moreira, Executive Vice President, Chief Financial Officer and Treasurer of the registrant, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Joseph R. Nolan, Jr.
Joseph R. Nolan, Jr.
Chairman of the Board, President and Chief Executive Officer

/s/ John M. Moreira
John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer

Date: February 14, 2024

Exhibit 31

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Chodak III, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Connecticut Light and Power Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ Paul Chodak III

Paul Chodak III
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John M. Moreira, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Connecticut Light and Power Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of The Connecticut Light and Power Company (the registrant) for the period ending December 31, 2023 as filed with the Securities and Exchange Commission (the Report), we, Paul Chodak III, Chairman and Chief Executive Officer of the registrant, and John M. Moreira, Executive Vice President, Chief Financial Officer and Treasurer of the registrant, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Paul Chodak III

Paul Chodak III
Chairman and Chief Executive Officer

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer

Date: February 14, 2024

Exhibit 31

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph R. Nolan, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of NSTAR Electric Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ Joseph R. Nolan, Jr.

Joseph R. Nolan, Jr.
Chairman
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John M. Moreira, certify that:

1. I have reviewed this Annual Report on Form 10-K of NSTAR Electric Company (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of NSTAR Electric Company (the registrant) for the period ending December 31, 2023 as filed with the Securities and Exchange Commission (the Report), we, Joseph R. Nolan, Jr., Chairman of the registrant, and John M. Moreira, Executive Vice President, Chief Financial Officer and Treasurer of the registrant, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Joseph R. Nolan, Jr.

Joseph R. Nolan, Jr.
Chairman

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer

Date: February 14, 2024

Exhibit 31

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph R. Nolan, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Service Company of New Hampshire (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ Joseph R. Nolan, Jr.

Joseph R. Nolan, Jr.
Chairman
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John M. Moreira, certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Service Company of New Hampshire (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Public Service Company of New Hampshire (the registrant) for the period ending December 31, 2023 as filed with the Securities and Exchange Commission (the Report), we, Joseph R. Nolan, Jr., Chairman of the registrant, and John M. Moreira, Executive Vice President, Chief Financial Officer and Treasurer of the registrant, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Joseph R. Nolan, Jr.

Joseph R. Nolan, Jr.
Chairman

/s/ John M. Moreira

John M. Moreira
Executive Vice President, Chief Financial Officer and Treasurer

Date: February 14, 2024

**Exhibit 4.1.2**

# SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "*Amendment*"), dated as of November 29, 2023 (the "*Second Amendment Effective Date*"), is entered into by and among EVERSOURCE ENERGY, a voluntary association and Massachusetts business trust organized under the laws of the Commonwealth of Massachusetts ("*Eversource*"), AQUARION WATER COMPANY OF CONNECTICUT, a Connecticut corporation ("*AWC–CT*"), NSTAR GAS COMPANY, a Massachusetts corporation doing business as Eversource Energy ("*NSTAR Gas*"), THE CONNECTICUT LIGHT AND POWER COMPANY, a Connecticut corporation doing business as Eversource Energy ("*CL&P*"), PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, a New Hampshire corporation doing business as Eversource Energy ("*PSNH*"), YANKEE GAS SERVICES COMPANY, a Connecticut corporation doing business as Eversource Energy ("*Yankee Gas*"), EVERSOURCE GAS COMPANY OF MASSACHUSETTS, a Massachusetts corporation doing business as Eversource Energy ("*Eversource Gas*"; and Eversource Gas, together with Eversource, AWC–CT, NSTAR Gas, CL&P, PSNH and Yankee Gas, collectively, the "*Borrowers*", and each individually, a "*Borrower*"), the Lenders (here and hereafter as defined in the Credit Agreement (here and hereafter as defined below)), and BANK OF AMERICA, N.A. ("*Bank of America*"), as Administrative Agent and Swing Line Lender (each, here and hereafter as defined in the Credit Agreement). Capitalized terms used in this Amendment but not otherwise defined herein shall have the respective meanings provided for such terms in the Credit Agreement (as amended by this Amendment or as in effect immediately *prior* to the effectiveness of this Amendment, as the context may require).

## R E C I T A L S

WHEREAS, the Borrowers, the Lenders from time to time party thereto, and Bank of America, in its capacity as Administrative Agent and Swing Line Lender, entered into that certain Second Amended and Restated Credit Agreement, dated as of October 15, 2021 (as amended, restated, amended and restated, supplemented, increased, extended, refinanced, renewed, replaced, and/or otherwise modified in writing from time to time, the "*Credit Agreement*");

WHEREAS, the Borrowers have requested that the Lenders make certain modifications to the terms of the Credit Agreement as described in Section 2 below; and

WHEREAS, the Lenders have agreed to consent to the modifications to the terms and provisions of the Credit Agreement as set forth in Section 2 below, on the terms, and subject to the conditions, set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto hereby agree as follows:

## A G R E E M E N T

1. Introductory Paragraph and Recitals; Definitions. The above introductory paragraph and recitals (including any terms defined therein) of this Amendment are incorporated herein by reference as if fully set forth in the body of this Amendment. Capitalized terms used in this Amendment but not otherwise defined herein shall have the respective meanings provided for such terms in the Credit Agreement (as amended by this Amendment or as in effect immediately *prior* to the effectiveness of this Amendment, as the context may require).

2. Amendment to Credit Agreement. In accordance with Section 11.01 (*Amendments*, *Etc*.) of the Credit Agreement, by act of the Required Lenders, the body of Section 8.06 (*Consolidated Indebtedness to Capitalization Ratio*) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> With respect to (a) Eversource, permit the Consolidated Indebtedness to Capitalization Ratio of Eversource, as of the end of any fiscal quarter of Eversource, to be *greater than* 0.70:1.00 and (b) each other Borrower (other than Eversource), permit the Consolidated Indebtedness to Capitalization Ratio of such Borrower, as of the end of any fiscal quarter of such Borrower, to be *greater than* 0.65:1.00.

3. Effectiveness; Conditions Precedent. This Amendment shall become effective as of the Second Amendment Effective Date upon the satisfaction of each of the following conditions precedent:

(a) Amendment. Receipt by the Administrative Agent of a counterpart of this Amendment duly executed by each of the Borrowers and Lenders constituting the Required Lenders.

(b) Fees and Expenses.

(i) Receipt by each of BofA Securities, Barclays and the Administrative Agent, as applicable, of all fees, costs, expenses, charges, disbursements and other amounts due and payable by any of the Borrowers to BofA Securities, Barclays and the Lenders on or prior to the Second Amendment Effective Date.

(ii) Reimbursement or payment of all out-of-pocket expenses of the Administrative Agent and its Affiliates (including, without limitation, all reasonable and documented fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by any of the Borrowers hereunder, under any other Loan Document, and/or under any other agreement(s) with the Administrative Agent or any of its Affiliates.

4. Miscellaneous.

(a) Loan Document. The Borrowers acknowledge and agree that this Amendment shall be deemed to be, and shall be, a "Loan Document" as such term is used in the Credit Agreement and the other Loan Documents.

(b) Acknowledgement and Consent; Affirmation of Obligations. Each Borrower: (i) acknowledges and consents to all of the terms and conditions of this Amendment; (ii) agrees that this Amendment, and all documents and/or certificates executed in connection herewith, do *not* operate to reduce or discharge its obligations under the Credit Agreement or the other Loan Documents or any certificates, documents, agreements and instruments executed in connection therewith; and (iii) affirms all of its obligations under the Loan Documents.

(c) Full Force and Effect. Except as expressly modified hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents (including Schedules and Exhibits thereto) shall remain in full force and effect.

(d) Representations and Warranties. Each of the Borrowers hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(i) the execution, delivery and performance of this Amendment by such Borrower has been duly authorized by all necessary corporate or other organizational action;

(ii) this Amendment has been duly executed and delivered by such Borrower and constitutes a legal, valid and binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights and general principles of equity;

(iii) no approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority (including FERC and DPU) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Borrower of this Amendment, other than those approvals, consents or filings already obtained or made and in full force and effect;

(iv) the representations and warranties of such Borrower contained in Article VI (*REPRESENTATIONS AND WARRANTIES*) of the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct in all material respects on and as of the date hereof (other than any representation and warranty that is expressly qualified by materiality, in which case such representation and warranty is true and correct in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (other than any representation and warranty that is expressly qualified by materiality, in which case such representation and warranty is true and correct in all respects) as of such earlier date; and

(v) no Default or Event of Default exists or will result from the transactions contemplated by this Amendment.

(e) Electronic Execution; Counterparts. This Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures. Each party executing this Amendment agrees that any Electronic Signature on, or associated with, this Amendment shall be valid and binding on such Person to the same extent as a manual, original signature, and that this Amendment entered into by Electronic Signature will constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with the terms thereof, to the same extent as if a manually executed original signature was delivered. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one (1) and the same Amendment. For the avoidance of doubt, the authorization provided under this clause (e) may include the use or acceptance of a manually signed paper Amendment that has been converted into electronic form (such as scanned into a ".pdf" format), or an electronically signed Amendment converted into another format, for transmission, delivery and/or retention. The Administrative Agent and each of the other parties executing this Amendment may, at its option, create one (1) or more copies of this Amendment in the form of an Electronic Copy, which shall be deemed created in the ordinary course of such Person's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record.

(f) GOVERNING LAW. THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF, OR RELATING TO, THIS AMENDMENT, AND THE TRANSACTIONS CONTEMPLATED HEREBY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(g) SUBMISSION TO JURISDICTION; WAIVER OF VENUE; Waiver of Right to Trial by Jury. The terms of Sections 11.14(b), 11.14(c) and 11.15 of the Credit Agreement with respect to submission to jurisdiction, waiver of venue and waiver of right to trial by jury are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

(h) Limitation of Liability. No shareholder or trustee of Eversource shall be held to any liability whatever for the payment of any sum of money or for damages or otherwise under this Amendment, and this Amendment shall *not* be enforceable against any such shareholder or trustee in its or his or her individual capacity and this Amendment shall be enforceable against the trustees of Eversource only in such trustee capacity, and every person, firm, association, trust or corporation having any claim or demand arising under this Amendment and relating to Eversource, its shareholders or trustees shall look *solely* to the trust estate of Eversource for the payment or satisfaction thereof.

[*Remainder of Page Intentionally Left Blank*; *Signature Pages Follow*]

IN WITNESS WHEREOF, each of the parties hereto have caused a counterpart of this Amendment to be duly executed and delivered by their respective duly authorized officers as of the day and year first written above.

BORROWERS: **EVERSOURCE ENERGY**,
a voluntary association and Massachusetts business trust organized under the laws of the Commonwealth of Massachusetts

**AQUARION WATER COMPANY OF CONNECTICUT**,
a Connecticut corporation

**NSTAR GAS COMPANY**,
a Massachusetts corporation

**THE CONNECTICUT LIGHT AND POWER COMPANY**,
a Connecticut corporation

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**,
a New Hampshire corporation

**YANKEE GAS SERVICES COMPANY**,
a Connecticut corporation

**EVERSOURCE GAS COMPANY OF MASSACHUSETTS**,
a Massachusetts corporation

By: /s/ John M. Moreira
Name: John M. Moreira
Title: Executive Vice President, Chief Financial Officer and Treasurer

[*Signature Pages Continue*]

ADMINISTRATIVE AGENT: **BANK OF AMERICA**, **N**.**A**.,
as Administrative Agent

By: /s/ Erik Troette
Name: Erik Truette
Title: Vice President

[*Signature Pages Continue*]

LENDERS: **BANK OF AMERICA**, **N.A.**,
as a Lender

By: /s/ Jacqueline G. Margetis
Name: Jacqueline G. Margetis
Title: Director

**BARCLAYS BANK**
as a Lender

By: /s/ Sam Yoo
Name: Sam Yoo
Title: Managing Director

**CITIBANK**, **N.A.**,
as a Lender

By: /s/ Agha Murtaza
Name: Agha Murtaza
Title: Director/Authorized Signatory

**GOLDMAN SACHS BANK USA**
as a Lender

By: /s/ Dan Martis
Name: Dan Martis
Title: Authorized Signatory

**MIZUHO BANK**, **LTD.,**
as a Lender

By: /s/ Edward Sacks
Name: Edward Sacks
Title: Authorized Signatory

**MFG BANK**, **LTD.,**
as a Lender

By: /s/ Jeffrey P. Fesenmaier
Name: Jeffrey Fesenmaier
Title: Managing Director

**THE TORONTO-DOMINION BANK, NEW YORK BANK,**
as a Lender

By: /s/ Paul Yoon
Name: Paul Yoon
Title: Director

**U.S. BANK NATIONAL ASSOCIATION,**
as a Lender

By: /s/ James O'Shaughnessy
Name: James O'Shaughnessy
Title: Senior Vice President

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**
as a Lender

By: /s/ Jesse Tannuzzo
Name: Jesse Tannuzzo
Title: Director

**JPMORGAN CHASE BANK, N.A.,**
as a Lender

By: /s/ Oswin Joseph
Name: Oswin Joseph
Title: Executive Director
Corporate & Investment Bank

**KEYBANK NATIONAL ASSOCIATION,**
as a Lender

By: /s/ Bahar Lotfalian
Name: Bahar Lotfalian
Title: Senior Vice President

**MORGAN STANLEY BANK, N.A.,**
as a Lender

By: /s/ Rikin Pandya
Name: Rikin Pandya
Title: Authorized Signatory

**PNC BANK, NATIONAL ASSOCIATION,**
as a Lender

By: /s/ Diane Truong
Name: Diane Truong
Title: Vice President

**ROYAL BANK OF CANADA,**
as a Lender

By: /s/ Martina Wellik
Name: Martina Wellik
Title: Authorized Signatory

**THE BANK OF NEW YORK MELLON,**
as a Lender

By: /s/ Molly H. Ross
Name: Molly H. Ross
Title: Senior Vice President

**Exhibit 10.2**

## SUMMARY OF TRUSTEE COMPENSATION ARRANGEMENTS

The Compensation Committee periodically reviews the compensation of our non-employee Trustees and, when it deems appropriate and upon consultation with the Committee's independent compensation consultant, recommends adjustments to be approved by the Board of Trustees. The Compensation Committee recommends to the Board compensation for the Trustees based on competitive market practices for both the total value of compensation and the allocation of cash and equity. The Committee uses data obtained from similarly sized utility and general industry companies as guidelines for setting Trustee compensation. The level of Trustee compensation recommended by the Committee and approved by the Board enables us to attract Trustees who have a broad range of backgrounds and experiences.

Each non-employee Trustee serving on January 1 receives a grant under the Company's Incentive Plan, effective on the tenth business day of such year, consisting of the number of restricted stock units (RSUs) resulting from dividing $165,000 by the average closing price of our common shares as reported on the NYSE for the 10 trading days immediately preceding such date and rounding the resulting amount to the nearest whole RSU. RSUs generally vest on the next business day following the grant. Non-employee Trustees may elect distribution of up to 100 percent of the common shares issuable in respect of such RSUs immediately upon vesting of their RSU grant, subject to satisfaction of the Trustee share ownership guidelines. The distribution of all common shares entitled to be received upon vesting, but not distributed immediately, is deferred until the tenth business day of January of the year following retirement from Board service. Any individual who is elected to serve as a Trustee after January 1 of any calendar year receives an RSU grant prorated from the date of such election and granted on the first business day of the month following such election.

**2023 Trustee Compensation**

| Compensation Element | Amount |
|---|---|
| Annual Cash Retainer | $120,000 |
| Annual Stock Retainer | $165,000 |
| Board and Committee Attendance Fees | None |
| Annual Lead Trustee Retainer | $35,000 |
| Annual Committee Chair Retainer | $25,000 Audit Committee<br>$20,000 Compensation Committee<br>$15,000 Governance, Environmental and Social Responsibility Committee<br>$15,000 Finance Committee<br>$7,500 Vice Chair of Audit Committee<br>$7,500 Vice Chair of Finance Committee* |

*The Chair of the Finance Committee retired effective May 3, 2023. The Vice Chair of the Finance Committee was elected as Chair of the Finance Committee and the office of the Vice Chair of the Finance Committee was eliminated.

Annual cash retainers of $120,000 per Trustee, additional Lead Trustee and Committee Chair cash retainers, and annual RSU grants for service on the Board for 2023 were paid based on the amounts described above. Pay Governance LLC provided the Compensation Committee with a review of competitive market practices and compensation in 2023. Based on this information, the Committee determined that the current Trustee compensation would remain unchanged.

The share ownership guidelines set forth in the Company's Corporate Governance Guidelines require each Trustee to attain ownership of a number of common shares equal to a market value of at least five-times the then current annual cash compensation retainer for service on the Board. Trustees are required to hold all shares awarded as annual stock compensation retainers until the guidelines have been met.

Prior to the year earned, each Trustee may irrevocably elect to defer receipt of all or a portion of their cash compensation. Deferred funds are credited with deemed earnings on various deemed investments as permitted by the Company's Deferred Compensation Plan. Deferred cash compensation is payable either in a lump sum or in installments in accordance with the Trustee's prior election. There were no above-market earnings in deferred compensation value during 2023, as the terms of the Deferred Compensation Plan provide for market-based investments, including Company common shares.

Our Incentive Plan places a limit on the amount of total annual compensation that can be paid to any Trustee. When applicable, we pay travel-related expenses for spouses of Trustees who attend Board functions, but we do not pay tax gross-up payments in connection with any taxes on such expenses, nor do we pay pension benefits to our non-employee Trustees.

Exhibit 19

# Eversource Energy Insider Trading Policy

**Introduction**

Eversource Energy and its subsidiaries (collectively, the "Company") has adopted this Insider Trading Policy (the "Policy") to help its Trustees, officers and employees comply with applicable securities laws. The Policy relates to transactions in the Company's common shares, including the trading of shares to and from those held in the Eversource 401k Plan (all collectively referred to in this Policy as "Company Securities"), and except for specific exempt purchases discussed below. This Policy has been adopted to also promote compliance with applicable securities laws and Company policy, both of which prohibit persons who are aware of material, non-public information about the Company from trading in Company Securities or providing material non-public information to other persons who may trade in Company Securities on the basis of that information. The Policy also acts to help preserve the reputation and integrity of Eversource Energy and all persons affiliated with the Company.

**Persons Subject to the Policy**

The provisions of the Policy relating to the prohibition on disclosure of material non-public information apply to all Insiders, as that term is defined below, not just Trustees and officers, as well as members of an Insider's household and entities controlled by a person covered by this Policy ("Related Persons," as further defined below). Certain portions of the Policy relating to trading in Company Securities apply only to Company Trustees and senior executives as noted.

**Relevant Definitions**

**Insider:** Any person who possesses material, non-public information is considered an "Insider" as to that information. Insiders can include Company Trustees, officers, employees, independent contractors and those persons in a special relationship with the Company, such as Company auditors, consultants or counsel.

**Material Information**: Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, sell or hold securities. Any information that could be expected to affect the Company's stock price, whether positively or negatively, should be considered material. There is no bright line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances. The following are examples of potentially material information:

- Unpublished financial results or earnings projections;
- Changes in dividend policy or payments;
- Pending or proposed merger, acquisition or tender offer;
- Pending or proposed acquisition or disposition of significant assets;
- Pending or threatened significant litigation, or the resolution of such litigation;
- Rating agency decisions, or issuance of a credit watch or change in Company outlook;
- Pending or threatened labor disputes, including strikes or lockouts;
- Undisclosed material data, cyber or other security breach;
- Changes in key management.

The above list is for illustrative purposes only; there are many other types of information that may be considered "material" depending on facts and circumstances.

**Non-public Information**: Information that has not been disclosed to the public is generally considered non-public information. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors. Information that is disseminated through established newswire services (such as Dow Jones, Reuters or the Associated Press) or through public disclosure documents filed with the U.S. Securities and Exchange Commission ("SEC") is generally considered widely disseminated to the public.

**Related Persons:** Persons related to an Insider, including an Insider's spouse, as well as anyone else who lives in the Insider's household; partnerships of which an Insider is a general partner; trusts of which an Insider is a trustee; estates of which an Insider is an executor or administrator; and other equivalent legal entities that an Insider controls. Insiders are responsible for the transactions of these Related Persons, and therefore Insiders should make Related Persons aware of the need to confer with the Insider before trading in Company Securities.

## Specific Guidance

**Non-Disclosure of Material, Nonpublic Information**
Material, non-public information relating to the Company must not be disclosed to anyone, except to persons within the Company or third party agents of the Company (such as auditors, investing banking advisors or legal counsel) whose positions require them to have the information, and only after appropriate action, such as the signing of a non-disclosure agreement, has been taken to protect the information. Violations of insider trading laws and this Policy can result in disciplinary action, up to and including termination of employment with the Company, as well as substantial civil fines and even imprisonment.

**Prohibited Trading in Company Securities**
No Insider may purchase or sell Company Securities, or recommend that another person purchase or sell Company Securities, when he or she has knowledge of material information concerning the Company that has not been disclosed to the public. Gifts, charitable donations and other contributions of Company Securities are also subject to this Policy, as are hedges or pledges of Company Securities and sales and purchases within the Company's 401k Plan. Hedges and pledges of Company Securities by officers and Trustees are prohibited at all times. This Policy does not apply, however, to purchases of Company Securities resulting from an employee's previously determined periodic contribution of money to the Company's 401k Plan pursuant to a previously made payroll deduction election, reinvested dividends, transactions effected pursuant to pre-existing Rule 10b5-1 Plans, or sales required to meet current tax withholding requirements on vesting stock compensation. If an Insider is uncertain as to whether or not he or she is in possession of material, non-public information, the Insider must refrain from any purchase or sale of Company Securities and seek advice from the Company's Legal Department. All Company managers are responsible for communicating directly with the Legal Department when a question exists as to whether any employee should be counseled on restrictions in trading Company Securities because the employee may be in possession of confidential, undisclosed material information.

**Pre-Clearance Procedures**
Eversource Energy Trustees and officers (VP level and above), including Related Persons, may not directly or indirectly, purchase or sell, or otherwise make any transfer, gift, pledge or loan of, any Company Securities (other than those noted in the previous section relating to 401k Plan contributions, dividend reinvestments, transactions effected pursuant to pre-existing 10b5-1 Plans, and sales required to meet current tax withholding requirements on vesting stock compensation) without first obtaining approval in advance. A request for pre-clearance must be made by email addressed to the Company's Executive Vice President and General Counsel and the Executive Vice President and Corporate Secretary prior to entering into any transaction. The request will be evaluated to determine whether the proposed transaction is consistent with applicable securities laws and the Company's policies, including compliance with the Company's share ownership guidelines, prior to and following the proposed transaction. Contact Eversource Energy's Director of Compensation at 860-665-5500 for further information on share ownership guidelines. Other details setting forth trading requirements in Company Securities are described in the periodic communications from the Legal Department.

**Quarterly or Event Specific Trading Restrictions**
All purchases, sales and gifts of Company Securities by Trustees and officers (except for the specific exempt purchases noted above), must occur within a prescribed time period, or "open window." Open windows to transact in Company Securities will generally begin one business day after the release of Company earnings for the current period and will generally remain open for up to 30 calendar days from that date. The Company reserves the right to suspend or close the window at any time.

**Section 16 Reporting Persons**
Company Trustees and certain Company officers ("Section 16 Reporting Persons") are subject to additional trading restrictions and requirements under SEC rules. The Company officers that are subject to the additional rules set forth below consist of the CEO, all Executive Vice Presidents, and the Vice President, Controller and Chief Accounting Officer.

**Section 16 Reports (Forms 3, 4 and 5)**
Section 16 Reporting Persons are required by Section 16(a) of the Securities Exchange Act of 1934 to report to the SEC their initial beneficial ownership of Company Securities on Form 3 within 10 days of becoming a Reporting Person and all subsequent changes in ownership on Form 4, no later than two business days after the transaction. Under new SEC rules, gifts (a disposition for no consideration) must now be reported on Form 4 within two business days of the transaction. A gift may not be reported on a year-end Form 5. The Legal Department will assist Section 16 Reporting Persons in preparing and filing the required Section 16 reports with

the SEC; however, Section 16 Reporting Persons retain responsibility for informing the Legal Department of transactions in Company Securities.

Section 16 Reporting Persons are also subject to Rule 144 under the Securities Act of 1933 and are required to file Form 144 (before making an open market sale of Company Securities) when the amount to be sold in any three-month period exceeds 5,000 common shares or has an aggregate sales price greater than $50,000. Form 144 notifies the SEC of the intent to sell Company Securities, and it must be filed electronically. Form 144 is generally prepared by a broker and is in addition to the Section 16 reports described above.

Section 16 Reporting Persons must also refrain from making a non-exempt purchase of Company Securities within six months of having sold Company Securities and from making a non-exempt sale of Company Securities within six months of having purchased Company Securities.

**Rule 10b5-1 Plans**
Trustees and certain Company officers and employees are frequently in possession of material, non-public information and thus would often be prevented from trading in Company Securities. As such, the Company has authorized the entry into pre-existing written plans, contracts, instructions, or arrangements under Rule 10b5-1 under the Securities Exchange Act of 1934 (a "10b5-1 Plan") that meet the following requirements:

(1) the 10b5-1 Plan or any revisions or amendments to an existing 10b5-1 Plan is entered into during open window periods and is approved by either the Company’s Executive Vice President and General Counsel or Executive Vice President and Corporate Secretary;

(2) the 10b5-1 Plan provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and that no trades occur until after that time.
   - For Trustees and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 Plan; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter during which the 10b5-1 Plan was adopted.
   - For all other persons, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 Plan.
   - The required cooling-off periods will apply to the entry into a new 10b5-1 Plan and any amendments or revisions to an existing 10b5-1 Plan;

(3) the 10b5-1 Plan is entered into in good faith by the Insider, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the Insider is not in possession of material non-public information about the Company; and, if the Insider is a Trustee or officer, the 10b5-1 Plan must include representations by the Insider certifying to that effect;

(4) the 10b5-1 Plan explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions, or the 10b5-1 Plan gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Insider, so long as such third party does not possess any material non-public information about the Company; and

(5) the 10b5-1 Plan is the only outstanding 10b5-1 Plan entered into by the Insider (subject to the extremely limited exceptions described in Rule 10b5-1).

If you are considering entering into, modifying or terminating a 10b5-1 Plan or have any questions regarding 10b5-1 Plans, please contact the Company’s Executive Vice President and General Counsel or Executive Vice President and Corporate Secretary.

A new SEC rule requires the Company to disclose in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q the adoption, modification, or termination of 10b5-1 Plans by Trustees and officers who are Section 16 Reporting Persons. This disclosure must describe each plan’s material terms (other than pricing terms), including the name and title of the Trustee or officer; the date the plan was adopted, modified, or terminated; the plan’s duration; and the total amount of securities to be purchased or sold under the plan.

You should consult your own legal and tax advisors before entering into, or modifying or terminating, any 10b5-1 Plan. A trading plan, contract, instruction or arrangement will not qualify as an approved 10b5-1 Plan without the prior review and approval of the Company’s Executive Vice President and General Counsel or Executive Vice President and Corporate Secretary as described above. Contact Eversource Energy’s Director of Compensation at 860-665-5500 for further information regarding 10b5-1 Plans.

Any questions regarding the specific requirements affecting Section 16 Reporting Persons, should be directed to the Company's Legal Department.

**Revision History**

| | |
|---|---|
| Update to Material Information list to include cyber breach | 02/19/2019 |
| Administrative changes | 07/26/2021 |
| Revised to reflect changes to Rule 10b5-1 | 05/3/2023 |

**Exhibit 21**

Subsidiaries of the Registrants as of February 14, 2024 [1]

| | State of Incorporation |
|---|---|
| The Connecticut Light and Power Company [2] [3] | CT |
| Connecticut Yankee Atomic Power Company [4] | CT |
| Eversource Energy Service Company | CT |
| Eversource Energy Transmission Ventures, Inc. | CT |
| Eversource Gas Transmission LLC | MA |
| Eversource Gas Transmission II LLC | MA |
| Eversource LNG Service Company LLC | MA |
| Northern Pass Transmission LLC | NH |
| Renewable Properties, Inc. | NH |
| Eversource Holdco Corporation | MA |
| Eversource TEI LLC | DE |
| Eversource Investment LLC | MA |
| Eversource Investment Service Company LLC | MA |
| Aquarion Company | DE |
| Aquarion Water Company | CT |
| Abenaki Water Co., Inc. | NH |
| Aquarion Water Company of Connecticut | CT |
| Aquarion Water Company of Massachusetts, Inc. | MA |
| Aquarion Water Capital of Massachusetts, Inc. | DE |
| Aquarion Water Company of New Hampshire, Inc. | NH |
| The Torrington Water Company | CT |
| Homeowner Safety Valve Company | DE |
| New England Service Company | CT |
| HWPCompany | MA |
| North Atlantic Energy Corporation | NH |
| North Atlantic Energy Service Corporation | NH |
| Northeast Nuclear Energy Company | CT |
| NSTAR Electric Company [2] [3] | MA |
| Harbor Electric Energy Company | MA |
| Public Service Company of New Hampshire [2] [3] | NH |
| Properties, Inc. | NH |
| PSNH Funding LLC 3 | DE |
| The Rocky River Realty Company | CT |
| Yankee Atomic Electric Company [4] | MA |

| | |
|---|---|
| Yankee Energy System, Inc. | CT |
| Eversource Gas Company of Massachusetts [3] | MA |
| Hopkinton LNG Corp. | MA |
| NSTAR Gas Company [3] | MA |
| Yankee Gas Services Company [3] | CT |
| YES Clean Hydrogen LLC | DE |

(1) The names of some of our subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary," have been omitted in accordance with Item 601(b)(21)(ii) of Regulation S-K.

(2) SEC Registrant.

(3) This entity is doing business as Eversource Energy.

(4) For The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire, investments in Connecticut Yankee Atomic Power Company and Yankee Atomic Electric Company are accounted for under the equity method.

**Exhibit 23**

***CONSENTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

We consent to the incorporation by reference in Registration Statement Nos. 333-264278 and 333-254993 on Form S-3 and Registration Statement Nos. 333-142724, 333-181258, 333-224605, 333-231116 and 333-274943 on Form S-8 of our reports dated February 14, 2024, relating to the consolidated financial statements and the financial statement schedules of Eversource Energy and subsidiaries, and the effectiveness of Eversource Energy and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Eversource Energy for the year ended December 31, 2023.

We also consent to the incorporation by reference in Registration Statement No. 333-264278-03 on Form S-3 of our report dated February 14, 2024, relating to the financial statements and the financial statement schedule of The Connecticut Light and Power Company appearing in this Annual Report on Form 10-K of The Connecticut Light and Power Company for the year ended December 31, 2023.

We also consent to the incorporation by reference in Registration Statement No. 333-264278-02 on Form S-3 of our report dated February 14, 2024, relating to the consolidated financial statements and the financial statement schedule of NSTAR Electric Company and subsidiary appearing in this Annual Report on Form 10-K of NSTAR Electric Company for the year ended December 31, 2023.

We also consent to the incorporation by reference in Registration Statement No. 333-264278-01 on Form S-3 of our report dated February 14, 2024, relating to the consolidated financial statements and the financial statement schedule of Public Service Company of New Hampshire and subsidiary appearing in this Annual Report on Form 10-K of Public Service Company of New Hampshire for the year ended December 31, 2023.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 14, 2024

**Exhibit 97**

**Eversource Energy**
**Executive Clawback Policy**

The Board of Trustees (the Board) of Eversource Energy (the Company), in order to continue to maintain the best interests of the Company and its shareholders, is adopting this revised Clawback Policy (the Policy), which provides for the recovery of erroneously awarded incentive-based compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities and Exchange Act of 1934, as amended (the Exchange Act), Rule 10D-1 promulgated under the Exchange Act (Rule 10D-1), and Section 303A.14 of the New York Stock Exchange (NYSE) Listed Company Manual (Listing Standards).

1. **Administration:** Except as specifically set forth herein, this Policy shall be administered by the Board's Compensation Committee (except as otherwise provided for herein, referred to as the Administrator). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized to consult with the Board's Audit Committee or other Committee(s), as may be necessary or appropriate, as to matters within the scope of such other Committee(s)' responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer, employee or advisor of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy other than with respect to any recovery under this Policy involving such officer or employee.

2. **Definitions:** As used in this Policy, the following definitions apply:
   - **Accounting Restatement** means an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
   - **Applicable Period** means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period that results from a change in the Company's fiscal year within or immediately following those three completed years, except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year. The "date on which the Company is required to prepare an Accounting Restatement" is the earlier to occur of (a) the date the Board, a Committee or any officer or officers of the Company authorized to take such action if Board action is not required concludes or reasonably should have concluded that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
   - **Covered Executives** means the Company's current and former executive officers and the Company's Chief Accounting Officer, as determined by the

Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.

- **Erroneously Awarded Compensation** means the amount of Incentive-Based Compensation (as defined below) received during the Applicable Period that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the Accounting Restatement, computed on a pre-tax basis.
- **Financial Reporting Measure** is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (TSR); revenues; net income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization (EBITDA); funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earning measures (e.g., earnings per share); revenue per user, or average revenue per user, where revenue is subject to an Accounting Restatement; cost per employee, where cost is subject to an Accounting Restatement; any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.
- **Incentive-Based Compensation** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is received for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

3. **Covered Executives; Incentive-Based Compensation:** This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange. Recovery of Incentive-Based Compensation is not required (1) with respect to any such compensation received while an individual was serving in a non-executive capacity prior to becoming an executive officer of the Company or (2) from any individual who is an executive officer on the date on which the Company is required to prepare an Accounting Restatement but who was not an executive officer of the Company at any time during the performance period for which the incentive-based compensation is received.

4. **Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement:** In the event the Company is required to issue an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by each Covered Executive during the Applicable Period. The Administrator shall give notice to each Covered Executive of the Accounting Restatement, which shall contain a demand for payment and the amount of Erroneously Awarded Compensation to be repaid. Covered Executives shall also

reimburse the Company for any expenses incurred, including reasonable attorneys'fees.

5. **Erroneously Awarded Compensation Subject to Recovery:** The amount of Erroneously Awarded Compensation subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts. Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE.

6. **Method of Recoupment:** Subject to the provisions set forth in this Policy, the Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include, without limitation (a) seeking reimbursement of all or part of any cash or equity-based award; (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid; (c) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder; and (d) any other method authorized by applicable law or contract. Subject to compliance with applicable law, the Administrator may effect recovery under this Policy from any amount otherwise payable from the Company to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive. Each Covered Executive, by accepting or being deemed to have accepted Incentive-Based Compensation, agrees to cooperate fully with the Administrator, and to cause any and all permitted transferees of the Covered Executive to cooperate fully with the Administrator to effectuate any forfeiture or disgorgement required hereunder. Neither the Administrator nor the Company nor any other person, other than the Covered Executive and his or her permitted transferees, if any, will be responsible for any adverse tax or other consequences to a Covered Officer or his or her permitted transferees, if any, that may arise as a result of the application of this Policy. The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy and to do so reasonably promptly, unless the Administrator has determined that recovery would be impracticable solely for the following reasons, and subject to the following procedural and disclosure requirements:
   - The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover, and provide that documentation to the NYSE.
   - Recovery would violate home country law where the law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recovery any Erroneously Awarded Compensation based on violation of home country law, the

Administrator must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the Listing Standards; or

- Recovery would likely cause an otherwise tax qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

7. **No Indemnification of Covered Executives:** Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, or any costs related thereto, including any payment or reimbursement for the cost of third party insurance purchased by any Covered Executive to fund potential clawback obligations under this Policy.

8. **Administrator Indemnification:** Members of the Administrator, other Committees, and the Board shall not be personally liable for any action, determination or interpretation made in good faith with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board or its Committees under applicable law or Company policy.

9. **Effective Date:** This Policy shall be effective as of December 1, 2023 (the "Effective Date") and shall apply to Incentive Compensation received by a Covered Executive on or after October 2, 2023. All clawback policy provisions contained in the Company's Incentive Plan as described in the Company's 2023 proxy statement not inconsistent with this Policy shall remain in full force and effect.

10. **Amendment; Termination:** The Administrator may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by regulatory bodies or national securities exchanges on which the Company's securities are listed.

11. **Other Recoupment Rights; Company Claims:** The Administrator intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company. Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from an Accounting Restatement or any other actions or omissions by the Covered Executives that violate this Policy.

12. **Successors:** This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

13. **Exhibit Filing Requirement:** A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

# EXHIBIT E

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

| | |
|---|---|
| IN RE: | . Chapter 11 |
| | . Case No. 24-10235 (LSS) |
| BURGESS BIOPOWER, LLC, | . |
| *et al.*, | . (Joint Administration Requested) |
| | . |
| | . Courtroom No. 6 |
| | . 824 North Market Street |
| | . Wilmington, Delaware 19801 |
| | . |
| Debtors. | . Tuesday, February 13, 2024 |
| . . . . . . . . . . . . . . . . . . | . 4:00 p.m. |

TRANSCRIPT OF FIRST DAY HEARING
BEFORE THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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INDEX

INDEX

(Proceedings commenced at 4:02 p.m.)

(Call to Order of the Court)

THE COURT: Please be seated. Good afternoon.

MS. MCLAMB: Good afternoon, Your Honor. For the record Chantelle McLamb of Gibbons P.C., proposed co-counsel to the debtors.

First and foremost, we cannot thank you and your Chambers enough for all of the accommodations you made today to enable us to appear before you. We would like to thank Ms. Leamy from the Office of the U.S. Trustee for all of her efforts in working with us to get us to this point.

If it pleases the Court, I would like to make some brief introductions of the debtors' team. With me today are colleagues from Foley Hoag, Ms. Alison Bauer --

MS. BAUER: Good afternoon, Your Honor.

THE COURT: Ms. Bauer.

MS. MCLAMB: -- Ken Leonetti --

MR. LEONETTI: Good afternoon.

THE COURT: Good afternoon.

MS. MCLAMB: -- Juin-Wen Bob Teoh --

MR. TEOH: Good afternoon, Your Honor.

MS. MCLAMB: -- Mr. William Gray, and colleagues from Gibbons P.C., Katharina Earle and Robert Malone.

THE COURT: Yes.

MS. MCLAMB: We are also joined today by the debtors chief restructuring officer, Mr. Dean Vomero, --

THE COURT: Welcome.

MS. MCLAMB: -- and the debtors' proposed investment banker, Mr. Scott Victor, Ms. Theresa Cole, and Mr. Neil Gupta (phonetic). I believe the declarant for the motion to approve Epiq Corporate Restructuring as claims and noticing agent is available via Zoom, Kate Mailloux. And, again, we thank Your Honor for allowing her to appear virtually.

Regarding the agenda, I believe the debtors intend to go forward with Items 3 through 7 and Item No. 9 in part on an uncontested basis.

So, before I cede the podium to Mr. Leonetti for some background on these Chapter 11 cases I would like to briefly mention the debtors' noticing efforts as evidence by the affidavits of service at Docket Nos. 53, 83, and 86. The debtors completed filing of the first day motions on Friday evening with an agenda at Docket No. 34, which noticed the motions before the Court today and indicated that a hearing would be noticed at a date to be determined.

Upon receiving a hearing date from Chambers on February 12th, 2024, the debtors proposed claims and noticing agent promptly caused copies of the amended agenda provided the hearing date at Dockets Nos. 38 and 47 to be served on the parties previously served with the agenda. Under the circumstances we submit that good and adequate notice of the first day hearing has been provided.

So, unless Your Honor has any questions, I will cede the podium to Mr. Leonetti.

THE COURT: I don't have any questions. Thank you.

MS. MCLAMB: Thank you.

MR. LEONETTI: Thank you, Your Honor. Again, for the record Kenneth Leonetti of Foley Hoag, proposed co-counsel for the debtors.

I join Ms. McLamb in thanking the Court. The two hours were actually used very productively to have conversations and negotiations. I also wanted to thank the attorneys for our lenders and the attorneys for Eversource. We have made progress, so it's the usual good news/bad news situation. We have made some progress. We have started to figure out where the issues are that we can narrow.

Unfortunately, there were a number of motions we are not going to be able to go forward with today and I think at the end we will be asking you and your clerk for some times in the very near future, you know, to come back on those motions or maybe, hopefully, to have a deal done among the parties on a consensual basis.

Before getting into the uncontested motions, with the Court's permission, I know we filed a lengthy first day affidavit, a declaration, but I would be more then happy to give the Court a little bit of background on the debtor, who we are, what are of our operations, some of the complexities of the major contract that is in dispute here, as well as our plan for getting out.

THE COURT: Okay. That’s fine.

MR. LEONETTI: Good. Thank you, Your Honor.

So, we are Berlin Station which is a -- the debtor is a 75-megawatt biomass fuel power plant. It is located in Berlin, New Hampshire. Then the affiliated entity, the co-debtor, Bergess BioPower. Bergess leases the plant from Berlin under a long-term lease and operates the plant under a right to use agreement. So, basically, Bergess runs the operation.

The plant was built over a number of years beginning in -- it came online beginning in 2013. It was financed with over $300 million in senior secured debts, subordinated secured debt, and equity financing. At the time it came online it entered into a long-term power purchase agreement. We have Eversource d/b/a Public Service Company of New Hampshire -- actually with Public Service New Hampshire d/b/a Eversource, which I will refer to as Eversource.

Eversource, itself, is a major utility in New England. They operate in, I think, all the New England states. They own the power lines and provide for transmission to the electrical grid. Their headquarters, I believe, are in Hartford and in Boston, but they operate in New Hampshire, in Massachusetts, and Connecticut, as well as another of other New England states.

So, the way the plant operates is it operates on biomass fuel which is, basically, wood refuse. Its like wood that is lying in the forest, its old and dead trees, its other unusable wood, sawmill, and things like pulp that comes out of sawmills and paper productions as well. It’s like your typical powerplant which is they burn fuel, they produce steam, the steam turns the turbine, turbine goes out onto the electrical grid where it gets transmitted to consumers in one way, shape, or form.

One of the features about the debtors’ business is that we don’t have any employees. That is why we didn’t waive motion in the case. We did not file a motion to perform under two separate shared services agreements with two affiliated entities. So, there are two agreements:

One is an operations and maintenance agreement with CS Berlin Ops. They are the ones who provide the employees; the people show up to work every day, who run the plant, provide maintenance, operations. That is kind of a captive company, that is all that they do.

There is a second contract with an entity called CS Operations under a PMA. They provide back-office finance, accounting, regulatory, etc. They also maintain the debtors' books and records. They are located in Palm Beach, Florida and they have other businesses. So, they are not a captive service provider.

They are both affiliated entities. There is, at some level, some common ownership at some level up the chain. Without either of those entities we would not be able to run the plant on a day-to-day basis since the debtor, itself, has no employees and has not administrative capabilities.

THE COURT: Well, my last energy case was this way. Is this a model for these kinds of companies?

MR. LEONETTI: I think it's not uncommon, Your Honor. I mean, I think there are some who operate it themselves, but I think there are some who take advantage of outside service providers as well, yeah.

In terms of capital structure, the debtors have about $115 million outstanding on its prepetition senior secured loans. They are not working capital loans, but they were used to finance the construction of the facility. It was originally $200 million back in 2013 and its now down to $115 million in principal that is currently owing. That is secured by first liens on substantially all of the debtors' assets.

We also have about $30 million outstanding on subordinated secured debt. There is minimal unsecured debt. The debtors pay their creditors very regularly. These are kind of local people who very much depend on the debtors for their livelihood. And as of the petition date we weren't aware of anything owing other then a few hundred thousand dollars owing to Eversource. I'm not under the PPA, but for -- they also provide us electricity as well and so that is what that was owed for.

We suspect that there may be a few general unsecured creditors who trickle in. For instance, we buy wood every day. You know, every day there's trucks that show up at the plant with wood, but we just haven't been invoiced, so we just don't know how much they are owed.

So, what the debtor sells and produces is power in three different forms. I think this is very important for Your Honor, you know, just in terms of framing, if we ever get there, you know, the potential dispute with Eversource. We sell energy which is just electrons; turbine spins, produces electrons, they go out on the grid, and they just go to people's homes. You know, turning on the lights that is the electrons, that's the energy. We sell capacity too. I will explain what that is in a moment. Then we sell something called renewable energy creditors, which I will refer to as RECs.

So, prior to the petition date, I think about 10 years ago, we entered into a long-term power purchase agreement with Eversource. It was supposed to run for 20 years, from 2013 to 2033. We sell those three types of power to them.

The first thing we sell is Energy. Its capital E, Energy as defined in the agreement. I think that is very important because it’s not -- you know, you have to look at the agreement and how it defines the three different types of power that we sell. That is sold at a base price of about $67 per kilowatt hour. Then there is an adjustment, there is a variable adjustment depending on what our fuel costs are.

So, last year we produced roughly between $3 to $4 million per month to Eversource each month in terms of the Energy, the Capital E, that we were sending out. I mean there is no way to know where it goes. Once it hits its kind of like cash, its relatively fungible. Once it goes out you can’t trace it. Actually, it’s even less then cash because once it goes out you can’t trace it. Its just an electron that goes over the grid. So, Eversource measures it, measures the usage as its coming out of the plant, but you don’t know where it goes; you don’t know if its going to some residence somewhere or a business somewhere or out of state. That is just kind of the way the energy market works is it gets onto the grid and then it goes out.

As I said, we also sell capacity. Now the primary purpose of capacity payments is to ensure that there is enough electricity production in a region. So, each region around the country there is an independent entity in New England, its called ISO New England. What they do is -- you know, their job is to ensure that in the region there is enough electricity support reliable network. You know, basically, to plan for maybe a plant goes down and there's an outage or maybe there is a big spike in demand.

So, what they do is they pay power produces capacity payments. That is a payment that is intended to make sure that you are going to promise that I will have X number of megawatts of availability in case you need to pull it in case someone else goes down. So, its all intended to ensure the reliability of the electric grid in guaranteeing availability.

These capacity -- there's capacity auctions, one of which was earlier this week actually or, I think, last week, I'm sorry. That is for capacity three years in the future. So, you bid in and you have to put up some sort of collateral, but you say I'm going to -- three years from now you don't have to worry, we are going to be here, and we are going to be supplying, in the debtors' case, our 75 megawatts or whatever we bid into the auction so that I --

THE COURT: A stated price.

MR. LEONETTI: No, its not a stated price. Its just you are going to be available to supply electricity, but in exchange, I assume, New England pays you for that right just to know that you have capacity.

THE COURT: So, they pay you for it right now for the capacity three years from now.

MR. LEONETTI: No, no, they pay us -- they are paying us right now for capacity that bid in three years ago.

THE COURT: Three years ago. Okay.

MR. LEONETTI: Right now, we are not paid directly by ISO New England. Right now, Eversource pays us those capacity payments and that's about $300,000ish a month that we get paid for capacity.

Third type of power that we sell is renewable energy creditors, RECs. The purpose of those is to split the energy into its two components which is the electrons and then a renewable energy attribute to the energy. So, basically, the purpose of that is to benefit a power producer that is producing renewable energy and biomass is, unlike fossil fuels, considered to be a renewable energy resource. So, its intended to pay the producer of the renewable energy the environmental and other social attributes that come with providing a renewable energy source.

RECs are purposed by everyone from utilities to large companies like Amazon, Google, and Walmart all by RECs, marketers buy them and they resell them; and that is because a number of entities are required, either under state law or other regulatory apparatus, to have a certain number of renewable energy credits.

So, like for instance, Eversource, which might be buying some non-renewable sources is obligated to have some renewable sources to offset it. So, its all towards achieving the goal of making sure that there is some renewable energy out there that is offsetting the use of fossil fuels. So, that is what we call RECs.

So, under the PPA Eversource agreed to purchase about 400,000 RECs up to that at a flat price and whatever Eversource doesn't purchase from us under the PPA, the debtors are entitled to sell those into the open market and we do. We have over the years sold RECs into the open market and its companies throughout the United States, its companies in Florida, California and elsewhere for whom we have and we continue to sell RECs.

The way we get paid for the RECs is they are what's called "minted" which is -- and its paid in -- its paid about four months in arears. So, the REC that is at issue here, for example, the January REC payments that was for RECs that were produced -- for power that was produced in the third quarter of 2023. So, July, August, September of

2023. The fourth quarter RECs would be paid in April and so on.

So, we mint them, we transfer them to Eversource or we transfer them to another party and, again, we are paid for it. The RECs, again, it's about a little over $5 million'ish per month that we manage to produce in RECs, at least that we have sold to Eversource over the years and we also sell it to other people as well.

I will pause there. Is there any questions about any of the --

THE COURT: No. I generally get it.

MR. LEONETTI: Its taken me a while, Your Honor.

So, the big issue is in the PPA's this thing called the CRF or the cumulative reduction factor. How that is calculated, I think, is important to understanding the dispute with Eversource. So, as I said, there is a price paid for energy, which is a variable price, and then you take a reference price that you subtract form that or add to that and that reference price is the price for the day ahead market in the submarket in New Hampshire where the debtors operate. Its not actually the price that Eversource sells the energy. I mean that is not something that we know what price they sell our energy for, but that is just the reference price that is considered.

So, you have the CRF and if energy -- if the price that we sell under the PPA for energy to Eversource is greater than the reference price then there is a debit and if its less than the reference price there's a credit. We -- the credit is an offset against future debits. We never actually get that money.

THE COURT: The way I read it the debtor gets the lesser of the contract price or the reference.

MR. LEONETTI: Essentially, that is right. But if there is a -- no, we always get the contract price. The debtors always paid, by Eversource, the contract price, but if the reference price is less then the contract price then there is this cumulative reduction factor.

THE COURT: Cumulative reduction.

MR. LEONETTI: Right, which is a bucket. Just picture a bucket that kind of fills up with debits over the course of some period of time.

THE COURT: Right.

MR. LEONETTI: So, we are selling power at --

THE COURT: But it's never lessened because the debtor doesn't get the benefit on the other side.

MR. LEONETTI: Correct. To the extent power is more -- to the extent reference price is more we don't get -- they don't write us a check.

So, the first $100 million -- the way the CRF worked is the first $100 million nothing happens with that other then maybe in 2033, fi the facility is being sold, then Eversource has got the right to use that as currency in a potential sale or purchase of the plant. So, that is the first $100 million.

Now with respect to, you know, anything that goes above that, that is when Eversource has got the right to credit energy payments. So, as an example if you get to the end of an operating year, and let’s say the CRF at that point is $112 million, they have got the right to credit and they have to do it in equal monthly installments. They got the right to credit a million dollars a month every month in the next year. So, if they are selling us $3 and a half million worth of -- if they’re buying from us, I should say, three and a half million of energy in a month they take the million dollars, they subtract it, and they would only pay us $2 and a half million.

That is the way the PPA was always intended to work and, you know, before two weeks ago that is pretty much, in our view, the way that everyone understood the PPA was supposed to work. It was only credible against energy payments, not against capacity, not against RECs, not against anything else.

So, in any event, whether they were entitled to set it off against the RECs in the capacity or just the energy the economic consequences of the CRF are pretty severe and dire for the debtor and that is why we are here today, and really for two reasons that is why the debtors are now in bankruptcy court.

The first is that the PPA is an uneconomic contract from the debtors' perspective. It hit $100 million, the CRF in 2019. There was a number of legislative moratoriums that were entered. So that, at some level, just delayed till we got to today. There was some effort by the New Hampshire legislature to forgive the cap as it was above $100 million, but that was ultimately unsuccessful. So, the moratoriums expired in November of 2023. At that point, over the four years, the CRF increased from $100 million to roughly $172 million.

So, now there is a $72 million overage that PSNH Eversource is entitled to offset against energy or was entitled to offset against energy under the PPA I should say. That $72 million roughly divided by 12 is $6 million a month and as I said a few moments ago, Your Honor, we produce roughly $3.5, $3.6 million on average a month in energy. So, it's a hole out of which we are just never going to dig out.

So, as a result Eversource was not paying us for any energy. They told us they were going to exercise their contractual rights to offset against the CRF for energy payments and at that point we were, essentially, producing energy and not getting paid for it. So, that is the reasons why -- one of the reasons why we filed and why we are here, and why on the first day we filed a motion to reject the PPA *nunc pro tunc* to the petition date is because the energy prices we just can't operate economically. We are literally operating with no money other then what we thought were going to be the RECs and the capacity payments, but that was not enough to operate the debtor on a break-even basis.

The second reason we are here is because of Eversource's prepetition breach of the PPA and our termination of it. I understand that they disagree with us, but in our view the contract is clear there are payments only for Energy that can be offset against the CRF. They cannot offset capacity; they cannot offset RECs. Again, I understand that they disagree and that is not a dispute for today with Your Honor, but may be a dispute for some point if we can't reach some sort of resolution with them in the near term.

We gave notice, so they didn't pay us for the RECs that were due on January 22nd. We gave notice of breach. Under the PPA they had seven days to cure. They didn't cure. We got a letter from them basically indicating that they disagree with our interpretation of the agreement. If they weren’t going to pay us we still allowed the seven days to pass to give them the chance to cure; that was last Tuesday.

We gave notice of termination of the PPA. The PPA, also there is a conjoined contract with the PPA, there is an option agreement. We gave notice of termination of the contract -- of the option agreement, subsequently to termination of the PPA; although, it was the same day, but it was, you know, separated by like a half an hour, then we filed. That is why we are here today.

I will pause there if there is any questions about the CRF for the breach or termination and --

THE COURT: No. I don’t have any questions about that. But what is the debtor doing today? Is it operating?

MR. LEONETTI: So, the debtor -- that is a good question, Your Honor. The debtor is operating today. We are producing power every day. We can’t shut down. The debtor is up in Northern New Hampshire. Some days are warmer then others, but not withstanding global warming the debtor is -- if we shut down, we risk the pipes freezing and it would be even more dire then producing energy with some limited prospects of, you know, our deal of having to fight with Eversource to get them to pay us. Certainly, if we shut down the view of management is that you are not going to restart the plant. You might lose the employees, pipes may freeze, and it could be exceedingly difficult. So, we are producing power today.

Our view, and again if we can't reach a deal with Eversource we are going to be back before Your Honor, is that they are obligated to pay us post-petition for the energy. They are not entitled to offset it. I understand that they disagree. And because the rejection would be *nunc pro tunc* to the petition date they should not be able to -- basically they should not be able to have their cake and eat it too. They can't continue to take our energy from us and sell it if we are going to get rejection or termination of the PPA.

I think there's only -- those are the only two options, you know, in the debtors' view. Its either we validly terminated it prepetition, so they have to hand over the market participant keys and permit us to continue to sell on a merchant basis because we can sell on a merchant basis. We don't need them. The debtor is able to sell on a merchant basis on the grid at the spot price. If its determined that we haven't validly terminated, we didn't have grounds for termination, then rejection which is why we filed that as a prophylactic measure on day one of the case.

THE COURT: So, you are operating today and the debtors' position is it terminated the agreement. So, what is happening to the energy that is being generated?

MR. LEONETTI: So, the energy is going out on the grid and Eversource is taking it and they are taking the position -- they can't direct an electron. That is the itnersting thing that I have learned about the energy markets is you can't direct an electron to a particular place.

So, it's not like they can capture it per say, but there is a -- what happens is, is because you measure it monthly, you know, they go to the meters and they measure it monthly and they say, okay, we have produced X amount of energy that has gone out over the transmission lines. So, your lead market participant is the one who is supposed to settle up with you for the production of energy, but its going out there and someone is selling it.

THE COURT: So, it goes out on a transmission line that is owned by Eversource?

MR. LEONETTI: Yes.

THE COURT: And then there is some interconnection agreement -- interconnection with somebody else.

MR. LEONETTI: Yes.

THE COURT: It goes out on the whole New England system grid.

MR. LEONETTI: Right. We have something called the LGIA, the large generator interconnection agreement which is a separate contract that we are not seeking to reject. That is what gives us the right to connect to the Eversource substation to send it out over the grid. This is all as a result of deregulation of the electric industry, as I have learned, which is you send it out. Transmission producing entities are not supposed to also own power producing -- I mean transmission entities like Eversource, which owns the lines, are not supposed to own power generators.

So, the power generators produce it and then the Eversource's of the world, you know, are Con Edison in New York or I don't know what the provider is down here in Delaware, but they then transmit it to customers like you and me. You get a bill and if you look at your bill you will see like there's some amount of money that they are charging you for energy, there might be some amount -- you probably have a small charge on you bill for capacity as well.

THE COURT: I have to look now.

MR. LEONETTI: So, just briefly, Your Honor, our plan for getting out we don't want to tarry in Chapter 11 very long. The looming issue of the CRF wasn't lost on the debtors and I doubt it was lost by any other party in interest in this case. We engaged in conversations with our senior secured lenders about a process for restructuring the debtors in Chapter 11. They have been very supportive so far. We negotiated an RSA with them that had a DIP, and a plan, and milestones.

The lenders had agreed to provide us a DIP of up to $18 million to finance operations while we transition, to merchant operations if Eversource is no longer interested in taking power from us at a different price under a new PPA or potentially transitioning to a new long term power purchase agreement with another party.

Also, the lenders and our support service providers, so that was CS Operations and CS Berlin Ops, the two outside entities, they have been very -- they have agreed to support a plan process that pays the general unsecured creditors. Burgess is the one that mostly incurs the -- they are pretty much the one that incurs the charges. It pays those general unsecured creditors 100 cents on the dollar and there is either a process that either results in the sale of the plant or a debt for equity swap all on a relatively expedited timeframe.

The DIP was intended and I know we're not going to -- we are not seeking authority today, but the DIP would give us financing to get through confirmation targeting kind of the middle to end of May. We had a toggle plan that was attached to the RSA which basically run a sale process simultaneously with pursuing confirmation of a plan. If it's the plan route it's the lender's option. If it's a plan route it would be a debt for equity swap where the lenders would swap their debt for equity in the reorganized debtor or a sale to either a third party or credit bid by the lenders. The sale would be under the plan.

I think the benefit of the dual tracks -- first of all, it gets us through the case more quickly. Secondly, we get a market test. So, if ultimately, we want to go the plan route, we will have a market test for what we think the value, you know, of an entity that has got no debt on it would be worth for purposes of going through the confirmation factors.

Certainly, the debtors are going to proceed with a value maximizing path. The RSA has got fiduciary outs for the board. We have independent directors for both debtors, a three-person special committee for both. There is a six-person board at each debtor, but three of the members of both boards also have affiliations with the service providers.

So, we established two independent special committees made up of just the independent directors. And on each one of those boards, we have two directors that were provided by CSC Corporation as outside independent directors that had been involved or at least been on the debtors' board technically for a while. Three of those four actually reside in Delaware. The fourth is an Ohio resident.

Then we brought in a third independent, an individual by the name of Drew McNagel (phonetic) from Texas who is a restructuring professional who has expertise in the energy industry. So, we have a three person independent special committee at both debtors.

Before I cede the podium, I just had one final item which is we filed a declaration for Mr. Vomero, our chief restructuring officer. That can be found at Docket 4. The debtors would like to offer that into evidence. Mr. Vomero, as you see, is here in the courtroom and available for testimony as needed.

THE COURT: Before we get there let me ask you: So, you have spoken with respect to the debtors' plan with respect to the power purchase agreement and I understand that the debtor also believes that it has terminated the purchase option.

MR. LEONETTI: Yes.

THE COURT: Isn't that something that is going to have be dealt with?

MR. LEONETTI: It is something that will have to be dealt with for sure if we can't reach a deal amongst us, the lenders, and Eversource. There is no doubt about that.

THE COURT: Turning to Mr. Vomero's declaration, is there any objection to it coming into evidence?

(No verbal response)

THE COURT: Its admitted.

(Vomero declaration received into evidence)

THE COURT: Does anyone going to seek to cross-examine Mr. Vomero?

MR. BROWN: Your Honor, Tyler Brown. I am here on behalf of Public Service Company.

We do not intend to cross-examine Mr. Vomero today. We certainly have objections to matters that are not going forward today. So, we would reserve (inaudible).

THE COURT: Certainly.

MR. LEONETTI: Thank you, Your Honor. I think Ms. Frost-Davies for the lenders was going to speak about the interim resolution we have on the contested matters that are not going forward today.

THE COURT: Okay. The ones that are going forward that are uncontested which ones are those?

MR. LEONETTI: Those are Dockets 3 through 7, Your Honor, and No. 9 in part.

THE COURT: Okay.

MR. LEONETTI: We can handle those at any time today, Your Honor.

THE COURT: Okay. Ms. Frost-Davies.

MS. FROST-DAVIES: Good afternoon, Your Honor. For the record Julia Frost-Davies of Greenberg Traurig. I am joined in the courtroom today by my partners, Dennis Meloro and Brian Greer.

Your Honor, money solves a lot of problems, and here there is no money and we have got a lot of problems. The debtors are literally out of cash. You know, we were talking today with our friends on this side of the aisle about what cash could be used and Mr. Vomero said my bank account is completely dry. There is no money.

The lenders who are owed $128 million, and these are original note purchasers from when this was put in place, are trying to figure out how they can lend to a company who is generating energy for which it is not getting paid. So, Your Honor asked the right question: What happens to the energy when they generate it and it goes over to Eversource, but no money comes back. That is not sustainable.

So, what we are trying to solve for is --

THE COURT: That's a business issue.

MS. FROST-DAVIES: That is a business issue. You can't lend into that. There is a big problem.

THE COURT: That's a business issue.

MS. FROST-DAVIES: That is a big business issue. That is exactly right. So, what we are trying to figure out, Your Honor, because we are perilously close to the place where it doesn't make sense to continue, is, is there a way working with Eversource and the debtors to find a way for this company to be able to monetize its only business which is selling energy. We can do it the easy way or the hard way.

On the easy way, although its still not easy, Eversource's counsel was gracious enough to spend several hours with us today trying to see if we can narrow issues. The hard way is we have to come back before Your Honor with these contested motions which is going to cost a lot of money and a lot of friction, but if we have to go there, we go there and Your Honor can call the balls and strikes.

In the meantime, we would like to try to get a path to allow us to talk. The problem is they have no money. They are slightly north of $3 million sitting at a debt service reserve that is restricted cash. As we all have agreed, and I apologize, Your Honor, I never look at my phone in Court, I was looking at, and here you may have noticed, and if so, I am sorry for that, I was getting last-minute approvals. We have agreed to a carve out of a million dollars of that restricted cash to fund the next week of the case until Your Honor can hear us again, hopefully on Tuesday or Wednesday, at Your Honor's earliest convenience, to backstop the administrative solvency for the week.

None of us would come before Your Honor with a case even for a week that we believe to be administratively insolvent and so our lenders are providing that accommodation. I have explained that to the United States

Trustee. I believe Ms. Leamy is okay with that, but she will speak for herself on that. But we did want to provide that.

In the meantime, Your Honor, we plan to dual track not a sale and a plan but preparing for litigation and having negotiations. We hope to come back to you as early as humanly possible and see if we can wrap all of our issues into one and get this debtor back to selling energy and getting paid for it.

That is all I have for today, Your Honor, unless you have questions for me.

THE COURT: Thank you, I do not.

MS. FROST-DAVIES: Thank you.

MR. LEONETTI: So, I think the plan, with the Court's -- obviously, subject to the Court's calendar, Your Honor, is to get a date early. And, again, I'm going to -- we'll go through the other motions in a moment, but I kind of just wanted to set the stage for Your Honor -- is to go through a plan -- have a date at Your Honor's earliest convenience next week, where we can defer the DIP motion, the motion to enter into a new lead market participant agreement.

We've agreed -- I know Eversource has their motion for venue transfer that they would like to be put on the same track as those.

We also think the rejection motion should be heard on shortened notice and we did not file that on day one of the case, understanding that that is not something that is traditionally put on day one of the case. We've asked Eversource if they would agree to it. I don't know what their position is. I think they may oppose it.

Frankly, Your Honor, I think all of these issues need to be heard at the same time. And I know it's a little procedurally unusual, but, you know, we would make an oral motion, and I know the lenders support us, to have that heard at the same time as the other motions.

But that's, at least, kind of where we are is to hear the DIP motion, the lead market participant motion, what's remaining of the shared services motion, Eversource's motion to transfer venue if they would like it heard on that date, and the rejection motion, all heard at that same time, because again, as Ms. Frost-Davies says, if we can't sell power and now that we're going to pay for it, we're out of business.

So, anyway, that's kind of where we are, and if Your Honor would like, I would cede the podium to Mr. Teoh, who's going to lead the Court through the unopposed motions.

THE COURT: Well, let me hear from Eversource.

MR. LEONETTI: Sure, understood.

UNIDENTIFIED SPEAKER: Cash management.

MR. LEONETTI: Oh, sorry. Cash -- and the cash management motion would also be continued.

THE COURT: Okay.

MR. LEONETTI: I apologize for that.

MR. JOHNSON: Good afternoon, Your Honor. Russell Johnson, on behalf of Public Service Company of New Hampshire, doing business as Eversource. We prefer to be known as Public Service Company of New Hampshire.

So, with respect to this matter, there is an agreement to have, subject to Your Honor's approval, to have the motions that debtors' counsel has mentioned, moved to a date at your earliest convenience: the DIP, the lead market participant, the remaining shared services motion, and the motion to transfer venue, which we'd filed a motion to shorten notice on that, Your Honor.

THE COURT: Uh-huh.

MR. JOHNSON: The problem with moving the motion to reject the PPA to that same date is this, as a result of this filing, Public Service of New Hampshire has been called before the Public Utility Commission of New Hampshire tomorrow at 1 o'clock to give an explanation of this case and to explain what is going on that what Public Services' position will be on various issues. So that is going to happen tomorrow.

And so it is our position that it would be, one, the PPA -- the motion to reject the PPA was not set for today and so I don't have any authority as to what Public Services' position is on that, but those are not usually motions that are done very quickly. I know the Third Circuit doesn't have authority on -- has published decisions on this, but the other Circuits have ruled on this in Mirant and in other cases. There's a case out of Arizona from the, I guess it's the Ninth Circuit, Arizona Peaks, that talks about a heightened standard that applies when you try to reject a PPA, a power purchase agreement, as opposed to just a regular contract.

And so if the Court were to determine that it's not just the regular business judgment of the debtor, that it is this heightened standard, that one of the factors in that determination is the public interest, which is the -- the New Hampshire Public Utilities Commission that the Public Service Company is beholden to.

So, I am told they are going to have that meeting tomorrow -- hearing -- whatever you want to call it -- it's not a meeting; it's a hearing -- and so there'll be some discussions. So I don't know what the position is of the New Hampshire Public Utility Commission, but they're not here. They were certainly not expecting for this to be heard on an expedited basis and if it is the heightened standard, I do think they need to be heard, because they represent, you know, the citizens of New Hampshire, who would be most impacted by a decision on the PPA.

So, but with respect to the motion to transfer, we would like that heard with the rest of these next week. Your Honor, I think it's just absolutely clear that, except for them being Delaware corporations, there's nothing about this case, as I was joking to some folks. This case is front-page news in New Hampshire, right. This filing is front-page news in New Hampshire. It affects the citizens of New Hampshire. There's a regulatory agency that's got a hearing on this.

In fact, this excess cumulative reduction that they're talking about is the subject of the regulatory proceeding that Eversource has been called back in on. The proceeding, it started. There was an introduction hearing on January 11th, a full evidentiary hearing on January 19th. The Court issued -- and that was important, because the rates impacted by the recovery of this excess cumulative reduction -- and there's more to it; this is just one silo of the rates that Eversource -- that Public Services charges -- but it is important.

And because of what was going on with the debtors, the Commission decided, No, we're not going to decide that before the February 1st. We'll approve your rates for everything else.

But this piece of this rate for the recovery of the excess cumulative reduction, we're going to set a hearing later in February or early March. The last time I checked the docket, they haven't set that hearing yet.

So this is -- and once again, going to the motion to transfer venue being heard, this is an ongoing proceeding that affects the rates of New Hampshire citizens, involving, basically, a power facility plant that's in New Hampshire, sells all of its product to a New Hampshire regulated utility, Public Service of New Hampshire. We think that does need to be heard next week.

But as far as the PPA, you know, I don't represent the New Hampshire Public Utility Commission, but I would be surprised if they were not going to be involved in that process.

THE COURT: Okay. Thank you.

Ms. Leamy?

MS. LEAMY: Good afternoon, Your Honor.

I just want to be heard on the issue of timing.

For the record, Jane Leamy for the U.S. Trustee.

Normally -- it sounds like the parties that are affected by the relief sought are here -- when there's a request for an expedited hearing shortly after the first day hearing, we normally want a committee, if there's going to be one, to be able to be formed to weigh in.

The petition in this case only listed Eversource as the only unsecured creditor --

THE COURT: Yes.

MS. LEAMY: -- however, there's a critical vendor motion pending. It's not going forward today, but I had some questions for counsel. You know, if there are -- why were these parties, who are not named, why were they not listed on the top-20?

I did get an answer, but I'm not sure I completely understand it yet. It may be that there's no committee, but I just wanted Your Honor to be aware of those facts in terms of, you know, setting the hearing.

THE COURT: I appreciate that and I looked at that, too, and thought to myself, there's not going to be a committee, so, which is not to say you shouldn't solicit if there's someone to solicit, but I didn't see it here. I could be wrong.

My thought, and we'll get -- we'll talk about this after the -- well, let's just wait and we'll talk about it. Let's hear these motions, first, that are unopposed.

MR. TEOH: Good afternoon, Your Honor. For the record, Jiun-Wen Bob Teoh of Foley Hoag, LLP, proposed co-counsel for Burgess BioPower, LLC, and debtor Berlin Station, LLC.

Again, before I begin, I'd just like to echo everyone before me's gratitude for Your Honor and your chambers to hear us and accommodating us, and also, our thanks to Ms. Leamy and the Office of the United States

Trustee for working with us over the past week on the things I'm about to go through.

So I'll be taking us through Agenda Items 3 to 7. We'll begin with Agenda Item 3, which is the debtors' motion for an order granting joint administration of the debtors' estates. This can be found at Docket 3.

The two debtors in this case, Burgess BioPower, LLC and Berlin Station, LLC, are affiliates of one another, as the term is defined in Section 1012 of the Bankruptcy Code; accordingly, joint administration is warranted under Bankruptcy Rule 1015 and Local Rule 1015-1.

A procedural cost (indiscernible) here, Your Honor, will save time, reduce costs, and ease the administrative burden on the Court and other parties in interest. We've received no objection on this motion and no comments from the Office of the United States Trustee.

So, unless Your Honor has any questions, we respectfully request that the order be granted -- entered granting -- excuse me -- entered, granting joint administration of the debtors' bankruptcy cases on lead Case Number 24-10235.

THE COURT: Thank you. I do not have any questions.

Does anyone wish to be heard with respect to the joint admin motion?

(No verbal response)

THE COURT: I hear no one.

I reviewed it. That'll be granted.

MR. TEOH: Thank you, Your Honor.

The next item on today's agenda is Item 4, the debtors' application to retain Epiq Corporate Restructuring, LLC as the claims and noticing agent, pursuant to 28 U.S.C. Section 156(c). This is located at Docket 5.

In that case, we anticipate having more than 200 parties in interest to be noticed and, therefore, pursuant to Local Rule 2002-1(f), there is a requirement to approve and appoint a claims and noticing agent. The debtors have solicited proposals from three other court-appointed claims and noticing agents, but ultimately selected Epiq for your competitive price structure, experience, and expertise.

In support of this application, the debtors have submitted the declaration of Ms. Kate Mailloux, which was attached as Exhibit B to the application. Once again, we'd like to thank the Court for accommodating Ms. Mailloux's remote appearance.

And at this point, Your Honor, I would like to move the declaration of Ms. Kate Mailloux in support of Epiq's retention application as the claims and noticing agent to the debtors, to be admitted into evidence for the purposes of the relief sought today.

And if Your Honor has any questions, Ms. Mailloux is appearing remotely by Zoom.

THE COURT: Is there any objection to the admission of her declaration?

(No verbal response)

THE COURT: I hear none.

Does anyone wish to cross-examine?

(No verbal response)

THE COURT: Okay. Thank you.

It's admitted.

(Mailloux Declaration received in evidence)

MR. TEOH: Thank you, Your Honor.

We received no objections to this application, and after the Office of the United States Trustee reviewed the application, they did have one comment, which we addressed in the application and the proposed order.

Unless Your Honor has any other questions, we respectfully request entry of an order appointing Epiq as the claims and noticing agent in this case.

THE COURT: Does anyone wish to be heard?

(No verbal response)

THE COURT: I hear no one.

I reviewed the motion. It's in line with what we do in this jurisdiction. I note that the debtor has followed the protocol of interviewing multiple firms. And if it's addressed the issues with the United States Trustee, then I will sign it.

MR. TEOH: Thank you, Your Honor.

The next item on the agenda is the tax motion at Agenda Item 5, which is located at Docket 6.

In the ordinary course of business, the debtors incur various state and local, income, property, sales and use, and other similar taxes and obligations. Here, the debtors estimate that there are approximately $300,000 in taxes that have accrued as of the petition date, which have not yet been paid, consisting of $210,000 related to the Renewable Energy certificates that Mr. Leonetti talked about earlier and also $90,000 related to various state and local taxes.

The debtors believe that no taxes will become due in February of 2024 and as of the petition date, the debtors were substantially current on their payment of taxes, however, out of an abundance of caution, by this motion, the debtors are respectfully requesting authority to pay taxes, as well as authority for financial institutions to honor all related checks and payment requests.

Your Honor, I'd like to address a slight discrepancy between the interim and final caps listed in the first day declaration and in the tax motion. For the avoidance of doubt, we just want to be clear that we are requesting an interim cap of $210,000 and a final cap of $290,000.

Your Honor, any anticipated disruption in the debtors' business operations due to an even temporary inability to pay their taxes and obligations could be detrimental to the Chapter 11 cases and the debtors' estates. We, therefore, submit that it is essential that the debtors be able to pay these taxes, as preserved, and maximize value for the debtors and their estates.

We've received no objections to the motion and the United States Trustee's Office indicated that they had no comments to the motion. So, Your Honor, I'm happy to go into further detail, otherwise, we would respectfully request that you approve the relief requested in the tax motion.

THE COURT: Does anyone wish to be heard with respect to the taxes motion?

MS. FROST-DAVIES: Judge, I -- Julia Frost-Davies -- I am loath to interrupt another attorney's presentation, so I apologize -- the only thing I want to make clear is that there's no funding right now to pay those claims --

THE COURT: I was going to ask that.

MS. FROST-DAVIES: -- and so it's going to be authorized, but not directed.

And there's also -- we'll talk about this when

Your Honor's ready to hear it -- no money to go out any further on a rejection motion. We have to be done.

But I apologize for interrupting your presentation. I want it to be very clear with the Court.

THE COURT: Okay. Thank you.

MS. FROST-DAVIES: Thank you, Judge.

THE COURT: Does anyone else wish to be heard?

(No verbal response)

THE COURT: Okay. So the question I had was whether there's any money to fund any of the orders that the debtor is requesting, because, normally, I would not approve a motion for which there's no funding.

Is there -- is this going to be paid in the next week?

MR. TEOH: No, no, Your Honor. We're only seeking authority to do so by this motion.

(Counsel confers)

MR. TEOH: Your Honor, the taxes are not due for quite a while and we are seeking authority to be able to do so out of an abundance of caution.

THE COURT: Well, we're here on the first day, which is -- in which I'm supposed to grant relief that's necessary to avoid immediate and irreparable harm. I'm not hearing that this approval of this on an interim basis is necessary to avoid immediate and irreparable harm.

So I'm going to continue this. It's uncontested, which I appreciate, because I assume that Public Service Company of New Hampshire recognizes that if this debtor is going forward, there are certain things that should be paid and this would seem to be one of them. But I'm going to hold this, as well.

MR. TEOH: Thank you, Your Honor.

So, the next item on the agenda, which would be very similar, would be the utilities motion at Agenda Item 6, which is at Docket 9.

By this motion, the debtors are seeking entry of interim and final orders, establishing adequate assurance for the debtors' utility companies and prohibiting them from altering, refusing, or discontinuing services, or otherwise discriminating against the debtors.

On average, the debtors paid approximately $200,000 a month for utilities services and they estimate that their costs for utility services during the post-petition period will average approximately $250,000 per month, which reflects an above-average amount for electricity.

And, again, Your Honor, the debtors are proposing to deposit a hundred thousand dollars in a segregated account, which represents approximately 50 percent of the average monthly costs of utility services provided by these companies. This deposit is meant to provide adequate assurance of the debtors' ability to honor post-petition obligations to utility companies. And the motion establishes a procedural framework for resolving any subsequent requests by utility companies for additional adequate assurances.

Your Honor, again, we're only seeking authority and the procedural framework for the adequate assurances here to avoid any problems that could result from the utility companies discontinuing service.

Your Honor, would you mind one second while I confer with my co-counsel?

THE COURT: Go ahead.

(Counsel confers)

MR. TEOH: Your Honor, thank you for allowing me to do that.

A mild addendum to what I just said. Today, we, on the record, are only seeking an order prohibiting the utility companies from altering or refusing or discontinuing services to, or otherwise discriminating against the debtors. We would like to continue any relief regarding the adequate assurance deposit and procedures.

THE COURT: Well, that actually cuts the relief in two in an unfavorable way towards the utilities and the way that the Code is envisioning. I don't see how I can enter an order that prohibits utility companies from appropriately, and consistent with 366, from terminating service if I don't have adequate assurance in place.

So what I was thinking as I heard this was, I'd like the procedures to start. I'd like, and different from the previous motion, I'd actually like to get this out there and get the procedures started, but I'll hear from any utility on an emergency basis as to why they should be able to terminate services.

And I would suggest that the deposit here is something that needs to be made in the time frame that is set forth in the motion if there's going to be any continued -- if I'm going to continue this motion past next week.

MR. JOHNSON: Your Honor --

THE COURT: Yes?

MR. JOHNSON: -- Russell Johnson for Public Service Company of New Hampshire.

I would be in accord with that. I mean, we're not going to turn off services with all that's going on, but we do appreciate the procedures that this Court and Your Honor put in place with the objection deadline and the final hearing date. I think that's appropriate.

When I first saw this motion and I saw the other motions, I was wondering why they filed this, because if they don't have any creditors, is what they listed this for, it was for other things, do they have them?

But I did confirm, I will say for the record that my client, Public Service Company of New Hampshire, does have utility accounts with them that they identified; although, one of those accounts is with Berlin Station, the other debtor, which I found was pretty odd.

And I was contacted by another utility that is not on that list, so we -- it is also odd, too, because if they only listed us as a creditor, there's a lot of utilities listed on that which seem to be creditors, as well, including one that contacted me. I haven't been retained by them yet, so I'm not going to -- but they're not on that list.

So, my only point on this is I think Your Honor's correct, certain procedures should be put in place and we would be fine with that, Your Honor.

THE COURT: Thank you.

MR. TEOH: Your Honor, I'd just like to address one point. The power company, utility company that was being referred to, if they are not appearing on our top-20 list, that means they were paid.

THE COURT: So, that could be, but they're still a utility going forward, so they would be covered by 366. So, this is the go-forward basis.

And I did note, and I should have asked, because I did note that there are a number of utilities.

Are these direct agreements or are they through whichever affiliated entity provides the operational services?

MR. TEOH: They're direct agreements, Your Honor, with the debtors.

THE COURT: Okay. Well, I'm going to, with a little trepidation, I'm going to enter this order, which I think is for the benefit of the utility companies and, quite frankly, required under the Code in order to provide them with adequate assurance. And this will be a business issue that the lenders will need to take into account, in terms of the money that they're going to let flow.

MR. TEOH: Thank you, Your Honor.

Regarding Item 7, which would be at Docket 10, the insurance motion, the debtors would like to continue that motion, as these issues are being resolved.

THE COURT: Okay.

MR. TEOH: And with that, I would like to cede my podium to my colleague, Ms. Bauer.

Thank you, Your Honor.

THE COURT: Thank you.

MS. BAUER: Good afternoon, Your Honor. Alison Bauer of Foley Hoag, on behalf of the debtors, Burgess BioPower and Berlin Station.

I just wanted to point out on the agenda that Motion 8, the critical vendors motion, is also been adjourned to our next hearing date; we're not going forward with that.

With that, I am going to discuss the debtors' motion for interim and final orders authorizing the debtors to continue performing under certain shared services agreements and honor obligations related thereto.

As part of the construct that Ms. Frost-Davies mentioned, we're going to be limiting the relief that we seek under that motion, but I did want to describe the relationships in case there were any questions.

THE COURT: Please.

MS. BAUER: And I would like to point out that notice for this motion, as well as every other motion that was filed, including the rejection motion, has been served on a number of regulatory authorities, which have been set forth in the notice provisions, including the New Hampshire Public Utilities Commission. So they are well-informed of what's going on; in fact, Eversource beat us to the notice of appearances before we got to file ours on, so we know everyone knows what's going on here.

So, by this motion, the debtors are seeking authority to continue performing under two shared service agreements and pay certain obligations under those agreements, whether they arose prepetition or post-petition in the ordinary course. As Mr. Leonetti mentioned in his opening remarks, the debtors have no employees and as a result, the live common nondebtor operator that is mentioned here, CS Berlin Ops, and one of its affiliates, and the nondebtor project manager, CS Operations, Inc., to provide all services necessary to operate on a day-to-day basis.

Absent these shared service agreements, the debtors would be incapable of operating and reliably maintaining power to their plant for any amount of time. CS Berlin Ops and CS Operations provide many of these services remotely, which is essential to the operation of the debtors' business and make it particularly challenging in this case to find a ready replacement for the services that are provided by these two entities, which are based in Florida.

These arrangements, as Your Honor noted, are typical in the power industry. And as you mentioned in Lincoln Powers, Case Number 23-10382, there was similar shared services relief in that case.

As to the specific agreements covered in the motion, which were publicly filed on the docket, without redaction, first, Debtor Berlin is a party to the operation and maintenance agreement, dated January 19th, 2018, as amended, with CS Berlin Ops, a Delaware corporation, and a nondebtor affiliate of the debtors. Under this agreement, CS Berlin Ops provides operation, maintenance, and technical support services necessary to operate the facility and employs expert and trained individuals to work onsite at the facility.

The O&M services provided by CS Berlin include: operating the facility 7 days a week, 24 hours a day; performing purchasing operations and maintenance activities; maintaining health and safety programs; complying with OSHA; conducting internal assessments of programs and compliance for deficiencies and opportunities for safety improvements; preparing emergency response plans and preparedness programs; training site personnel; preparing and submitting generation and fuel-consumption reports; maintaining computer infrastructure, computer data, and access security programs; and providing support to Berlin, as originally requested.

Second, Debtor Berlin is a party to the project management agreement, dated June 29th, 2011, with CS Operations, a nondebtor affiliate of the debtors, by assignment from K Street Capital, Inc., to CS Operations, pursuant to an assignment agreement, dated March 1st, 2018, and this agreement has been amended, as of February 8th, 2024.

Under the project management agreement, CS Operations provides certain management services, which include, but are not limited to, providing executive management services; preparing and distributing financial statements, financial reports, budgets, tax returns, and other information required; accounting, billing, and similar cash management services; reviewing, analyzing, and recommending action to Berlin regarding the obtaining of maintenance and renewable insurance required; reviewing and analyzing facility data regarding compliance of regulatory permits; advertising, with respect to proposed modification, repair, or replacement of the facility; assisting with the procurement and management of the fuel, the wood, for use at the facility; coordinating and overseeing payroll services; and providing and coordinating public relations and regulatory affairs services.

The debtors believe that they are relatively current on their obligations under these agreements, but there may be accrued and uninvoiced obligations that come due in the ordinary course, which give rise to prepetition amounts here.

Given their importance to the debtors' operations, on a final basis -- hoping we get there -- we want to be sure these arrangements continue uninterrupted and they are, therefore -- therefore, we would move for authority to pay certain specified prepetition and post-petition claims that come due.

It's important to note that certain prepetition amounts owed were waived by the counterparties, pursuant to negotiations between them, the debtors, and the DIP lenders, almost $900,000, as referenced in the PMA amendment, and another $200,000, under the O&M, subject to the plan restructuring support agreement.

Your Honor, the motion itself sought a number of current payments and very specified payments to go forward. We were, in fact, only seeking limited, prepetition relief, as this was heavily negotiated with the lenders.

At this point, however, given the status that we're at, and the objection filed by PSNH, Ms. Frost-Davies has presented to you that we have a consensual agreement to limit the interim relief to payment of the payroll costs and incentive payments to the employees, as defined in paragraph 13 of the motion. These amounts have been pre-funded to CS Berlin Ops, pursuant to the operating and maintenance agreement, and we would ask that any objection be overruled, with respect to these two payments, these two buckets, if you will. Having the employees is critical to our services just to get through even whatever limited time we have until we're back before the Court.

So, unless Your Honor has any questions, which I'd be happy to discuss, we would ask that this limited relief be approved and that the motion be entered on an interim basis.

THE COURT: These amounts have already been pre-funded?

MS. BAUER: So the money is sitting at CS Berlin Ops, but it is on behalf of the debtor and we don't want any issue as to whether or not there is a preference or an avoidance. It is for the employees. It is earmarked for the employees. And we're seeking to have the employees' wages paid, pursuant to these agreements.

The original motion we sought had those amounts and some other operating amounts and reimbursement costs to be paid, but we're only seeking to have their current payroll paid right now.

THE COURT: And "current" is after services is already rendered or services are going to be rendering?

MS. BAUER: Your Honor, I'd have to check to see what the payment cycle is; if it's in arrears or not.

(Counsel confers)

MS. BAUER: It would be in arrears.

THE COURT: Okay. Are they going to get paid for working next week?

MS. BAUER: Yes.

MS. FROST-DAVIES: Your Honor, I could go to the podium or I could speak to you from here, whichever Your Honor prefers.

THE COURT: Whichever the ECRO would prefer.

Can you pick that up?

MS. FROST-DAVIES: Is this okay?

THE CLERK: Yes.

MS. FROST-DAVIES: Julia Frost-Davies.

But, Your Honor -- and I'm sure someone will quote this back to you to my disadvantage one day -- rule number one is employees get paid. The only thing that would be worse, and is worse than the company not getting paid for producing the energy would be for the employees to not get paid from the company not getting paid for producing the energy. So we absolutely consent to that, and that's part of the carve-out for administrative solvency from our restricted cash.

THE COURT: Okay. Thank you.

MS. FROST-DAVIES: Thank you, Judge.

THE COURT: Let me hear from anyone else.

MS. BROWN: Again, Tyler Brown, on behalf of PSNH.

Judge, we objected to the motion. And I'm sure you read our concern, of course, is what we're talking about are the payment of post-petition funds to a nondebtor affiliate to cover their expenses. They're an unsecured creditor, just as they say we are unsecured creditors. So our objection went to that.

But what we were told today is they are only seeking, with respect to pre-funded expenses, that will solely go to employees and we are okay with that, reserving all of our other rights for when we come back on the rest.

THE COURT: Okay. Thank you.

MS. BROWN: Thank you.

THE COURT: Okay. Anyone else wish to be heard?

(No verbal response)

THE COURT: Okay. Well, I will grant the limited relief that's being requested today.

I agree that employees should be paid, and I'm pleased that everyone recognizes that that should be the case, so I will approve that and look for a revised form of order that's consistent with that relief.

MR. LEONETTI: I think with that, Your Honor, the only thing we need from the Court is an extended hearing date and also to note what we are going to hear on that date.

As Ms. Bauer noted, the New Hampshire Public Utility Commission, as well as a host of other regulatory agencies, were informed of this motion today and they were served, and they'll continue to be served, and, certainly, if they want to come and be heard on the rejection motion, whether or not I think they have -- whether or not the public interest factors should take hold or not -- and we don't believe it is -- it should be under Extraction Oil case in this district.

But, in any event, I would never oppose anyone's rights to show up and talk, so...

THE COURT: Okay. I need to take a moment and speak with my staff. We have been working on clearing some things from early next week in order to accommodate what I assumed was going to be a request for time, but I'm not sure exactly where we ended up on that, so we'll take 5 minutes.

MR. LEONETTI: Great. Thank you, Your Honor.

COUNSEL: Thank you, Your Honor.

(Recess taken at 5:12 p.m.)

(Proceedings resumed at 5:15 p.m.)

THE CLERK: Please rise.

THE COURT: Please be seated.

Okay. We're going to -- that's Wednesday -- we're going to come back Wednesday morning, the 21st and we'll have continued to that time, the DIP, the lead market participant motion, the additional shared services, and anything else that I didn't approve today.

I will put the rejection motion on for then, but I will hear from anybody who says at that point in time, they didn't have appropriate notice, they need more time, whatever. So I don't know whether we're going to go forward with it or not, but it can be listed, and, of course, the venue motion.

And I will tell you that -- and I haven't read the venue motion yet -- but this certainly does seem like a New Hampshire-centered case; nonetheless, I'm going to hear everything, because whether I keep it or I send it, it's going to be in the best shape it can be. And I'm not going to send it to New Hampshire, if that's where it goes, in a mess. I will -- if it goes there, I want it to be in the best shape it can be for that judge to take over.

And if I keep it, I want it in the best shape I can have it in for me. So I'm not going to postpone hearing motions. I don't think that's helpful. I don't think this case can, quite frankly, sustain that. And we'll see where it is.

In the meantime, I encourage everybody to be talking. This cries out for a business solution. This is a business problem and I would, as I said, I would encourage the parties to keep talking and, maybe, bring something consensual in front of me on Wednesday.

We'll start at 9:30 on Wednesday and, obviously, the parties should cooperate with respect to anything that ultimately is contested so that it is put in front of me in an efficient manner. And so the parties need to be working on two fronts, cooperatively, however, whether we contest things or not, cooperatively among the attorneys to see where we end up.

Any questions?

Ms. Frost-Davies?

MS. FROST-DAVIES: I don't have a question, Your Honor. I have a clarification that our collateral agent has asked me to put on the record, with respect to the highly unusual financing of the first week of this case.

THE COURT: Yes.

MS. FROST-DAVIES: So DBTCA is the lenders' collateral and administrative agent.

THE COURT: Uh-huh.

MS. FROST-DAVIES: They are represented by my friends, Mr. Silverman and Mr. Collins.

And the money is in a -- the money to which we have agreed to subordinate the liens to subordinate the admin insolvency the first week of the case is in a restricted account, to which they ultimately, if we get there, because we don't have a DIP, would need written instructions to release, which my clients will give.

I talked to Ms. Leamy before the hearing about whether I needed to do an order. If past is prologue, it will cost approximately $30,000 and take two days to negotiate an order, so I hope the parties will take my representation that we will subordinate to that million dollars and that I won't need a further order. But I wanted to bring that to Your Honor in case you wanted an order.

THE COURT: I don't need an order, as long as the parties are comfortable with that and I have an officer of the court who has made representations.

So I'm fine with that, but I'm not the lenders, I'm not the agent, I'm not the anybody.

MS. FROST-DAVIES: I would tell you, Judge, I would never be able to set foot in your courtroom again if we didn't honor this obligation and I respect the opportunity to be here.

THE COURT: As I said, I'm comfortable.

It's a question of what the parties need, and maybe there could be something less costly than --

MR. LEONETTI: I think from the debtors' perspective -- and I certainly take Ms. Frost-Davies at her word, having known her for almost 30 years -- I think just Your Honor so-ordering on Ms. Frost-Davies' representation is probably, on the record, I think, is good enough for us.

THE COURT: Thank you.

Mr. Silverman?

MR. SILVERMAN: Thank you, Your Honor. I'll be exceedingly brief.

Ron Silverman from Hogan Lovells. I'm here in the courtroom with my colleague Jen Lee, and also with our co-counsel, Richards, Layton & Finger.

We, of course, support efficiency as the agent. DBTCA, as the propose DIP, administrative and collateral agent, it is also the prepetition secured party agent with various titles under the prepetition documents.

So we will obviously work cooperatively with the lenders and the debtor and certainly want to do things efficiently and get them done, but we gist heard the concept.

We just have to make sure that Ts are crossed --

THE COURT: Agents want instructions.

MR. SILVERMAN: Instructions and, you know, as we think through it, if it needs a little something else, we want to make sure the paper works.

That's all, Your Honor.

THE COURT: Okay. Thank you.

MR. SILVERMAN: Thank you.

THE COURT: Okay. Well, I will --

Oh, yes, go ahead.

MR. JOHNSON: I don't, Your Honor -- Russell Johnson -- I don't have any comments on that. I was just going to ask about the response deadlines for the two motions that were not previously set as first day, the motion to reject PPA and motion to transfer venue.

I'd ask the day before if that's fine with all the parties, but I just wanted to get some clarity on that.

THE COURT: Okay. Thank you.

With respect to the million dollars, I will so-order the record and recognize the agents' need for clear instructions. And I, too, have known Ms. Frost-Davies for probably 30 years, so I have every confidence in her word, as I do with all officers of the court, so I think we're good.

MS. FROST-DAVIES: Thank you, Your Honor.

THE COURT: In terms of response dates -- that's a

Wednesday, right -- I would like responses by noon the day before, which is the 20th.

MS. MCCLAMB: Good afternoon, Your Honor. Chantelle McClamb, again, for the record.

Just -- I just stand for some housekeeping issues. Thank you for the response deadline. Mr. Russell beat me to it.

We're happy to submit the orders that you granted -- we're happy to upload the orders that you granted and submit the shared services order under COC.

With respect to the utilities motion, which I believe is being granted under interim relief, would you be -- would you intend to hear that at a separate hearing or would that also be for final relief on this Wednesday hearing?

THE COURT: No. That's interim --

MS. MCCLAMB: Okay.

THE COURT: -- and when -- I'm optimistic -- we get to a final hearing, it'll be a final hearing.

(Laughter)

MS. MCCLAMB: Okay. So I believe we'll have to upload the utilities order under COC, because it does provide for a final hearing date, so we will provide that with a "to be determined" date if Your Honor --

THE COURT: Yes, let's put it on a "to be determined" date and we'll see whose schedule it's on.

MS. MCCLAMB: Thank you.

THE COURT: Thank you.

Any other questions or anything I can clarify for anyone?

(No verbal response)

THE COURT: We're good?

Okay. Thank you, then. We're adjourned.

COUNSEL: Thank you, Your Honor.

(Proceedings concluded at 5:24 p.m.)

CERTIFICATION

We certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of our knowledge and ability.

/s/ William J. Garling February 15, 2024

William J. Garling, CET-543
Certified Court Transcriptionist
For Reliable

/s/ Mary Zajaczkowski February 15, 2024

Mary Zajaczkowski, CET-531
Certified Court Transcriptionist
For Reliable

# EXHIBIT F

**STATE OF NEW HAMPSHIRE**

**PUBLIC UTILITIES COMMISSION**

**February 14, 2024** - 1:00 p.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DE 23-091**
**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY:**
Petition for Adjustment to Stranded Cost Recovery Charge.
*(Hearing to discuss the implications of Burgess BioPower, LLC's and Berlin Station, LLC's Chapter 11 bankruptcy filings)*

**PRESENT:** Chairman Daniel C. Goldner, *Presiding*
Commissioner Pradip K. Chattopadhyay
Commissioner Carleton B. Simpson

Alexander Speidel, Esq./*PUC Legal Advisor*
Doreen Borden, Clerk

**APPEARANCES:** **Reptg. Public Service Company of New Hampshire d/b/a Eversource Energy:**
David K. Wiesner, Esq.

**Reptg. Residential Ratepayers:**
Michael J. Crouse, Esq.
Matthew J. Fossum, Esq.
Marc H. Vatter, Dir./Economics & Finance
Office of Consumer Advocate

**Reptg. New Hampshire Dept. of Energy:**
Matthew C. Young, Esq.
Marie-Helene Bailinson, Esq.
Thomas C. Frantz, Dir./Reg. Support Div.
Stephen R. Eckberg, Electric Group
*(Regulatory Support Division)*

Court Reporter: Steven E. Patnaude, LCR No. 52

**I N D E X**

**P R O C E E D I N G**

CHAIRMAN GOLDNER: Okay. Good afternoon. I'm Chairman Goldner, presiding over this afternoon's hearing in Docket 23-091, the Company's SCRC proceeding, scheduled pursuant to a procedural order issued on February 12th, 2024, and confirmed by a procedural order issued yesterday, February 13th. I'm joined by Commissioner Simpson and Commissioner Chattopadhyay.

This hearing relates to developments in connection with the Burgess BioPower and Berlin Station bankruptcy filings made in Delaware this past week and reported in the local press. We also take note of Eversource's responsive motions and supportive documents filed with the Delaware Bankruptcy Court, and filed with the Commission yesterday.

Before taking appearances, I would like to indicate that the Commission will open this hearing by directing questions to Attorney Wiesner and Eversource. Following this, we will grant leave to the Department of Energy and the Office of the Consumer Advocate to make statements on the record and to ask questions of their own. We do not necessarily expect to take sworn testimony today, but, if it is advisable, we'll make accommodations for doing so.

Beyond these general parameters, we'll have a fairly open format for today's hearing. Our purpose is to gather needed information, and on the record, in a transparent way.

Now, let's take appearances, beginning with the Company.

MR. WIESNER: Good afternoon, Commissioners. I'm David Wiesner, representing Public Service Company of New Hampshire, doing business as Eversource Energy.

With the indulgence of the Commission, I would offer to make an opening statement when the time's appropriate, and then entertain questions from the Bench.

CHAIRMAN GOLDNER: Thank you. And the Office of the Consumer Advocate?

MR. CROUSE: Good afternoon, Commissioners. Joining with me today is my esteemed colleague, Matthew Fossum, he is our new attorney and the Director of Regional and Federal

Affairs. And I am Michael Crouse, Staff Attorney, representing residential ratepayers in this matter.

Thank you.

CHAIRMAN GOLDNER: Thank you. Welcome, Attorney Fossum.

And the New Hampshire Department of Energy?

MR. YOUNG: Good afternoon, Commissioners. Matthew Young, on behalf of the Department of Energy. With me today, starting from my direct left, is Steve Eckberg, who is a Utility Analyst in the Electric Division; Marie-Helene Bailinson, who is Co-Counsel in this docket; and Tom Frantz, who is the Director of the Regulatory Support Division.

CHAIRMAN GOLDNER: Very good.

So, Attorney Wiesner, you wanted to make a brief opening statement. I think that would be -- that would be fine. I think the Commission has a series of questions that we'd like to go through. But, if you have a brief opening statement, that would, of course, be fine.

MR. WIESNER: I do have some hope that, in the course of my statement, which may not be considered "brief", that some of the questions will be answered. And I think it would be helpful to sort of recap some of the recent developments, since we were here in January for the hearing, the evidentiary hearing on the SCRC.

CHAIRMAN GOLDNER: Can I ask you, Attorney Wiesner, how long your comments are? Because I think we've got a pretty good understanding of the filings and the situation. And we are prepared to go through our line of questioning in a very efficient manner.

MR. WIESNER: Maybe ten minutes, probably less.

CHAIRMAN GOLDNER: Do any of the other parties want to make any kind of opening statement today or --

MR. CROUSE: The OCA was not planning on making an opening statement. But there's some questions we'll have with regard to this matter.

CHAIRMAN GOLDNER: Attorney Young?

MR. YOUNG: The Department didn't have any prepared remarks.

CHAIRMAN GOLDNER: Attorney Wiesner, can you give us the abbreviated version please?

MR. WIESNER: I will try to do that.

CHAIRMAN GOLDNER: Thank you.

MR. WIESNER: So, you know, as the Commission is aware, the legislative suspension on implementation of the PPA netting and recoupment expired at the end of November 2023, with the start of the new operating year for the Burgess plant. The netting and recoupment mechanisms are now in effect, and the Company exercised those rights for the first time with the invoice prepared in late January for the Burgess Plant energy production during the month of December.

At the end of November 2023, the Excess Cumulative Reduction Amount under the PPA was approximately $71.5 million, as the Commission is aware. The PPA authorizes Eversource to net and recoup some portion of that balance in two different ways. First, against energy, under Section 6.1.4(c), and also more broadly under Section 10.3. And I believe the Commission is aware, based on the record request responses that we submitted in January, that the Company did, in fact, net against payments for RECs and capacity, as well as for energy, in the January invoice.

Those rights were exercised, and that netting occurred, in the effort -- in the pursuit by the Company to obtain the maximum benefit for its customers, as the netting mechanisms are, of course, the primary means of recouping the defined portion of the above-market payments previously made to Burgess. And it's important to note that Eversource does not profit in any way from its administration and enforcement of the Burgess PPA. All costs and benefits of the PPA are passed through to customers, as previously approved by the Commission.

I will summarize this portion, after Eversource exercised its netting and recoupment rights in accordance with the PPA, with respect to the invoice for December 2023 production, the Burgess companies claimed that the Company had no right to do that; the Company responded. Ultimately -- I should say, in that response, the Company sought to exercise the mandatory Binding Arbitration Rules and Alternative Dispute

Resolution Procedures under the PPA. Burgess responded eventually by asserting that it could -- that the Company had breached the Agreement, and that they were terminating the PPA and the related Option Agreement.

As the Commission is aware, last Friday, on the 9th, the Burgess companies filed for Chapter 11 bankruptcy in Delaware. As noted in our letter filed yesterday, we were given no prior notice of those bankruptcy filings, nor were any of the related documents provided for our review in advance of those filings.

In particular, we were not informed that the power plant would continue to operate, while the Burgess companies sought to reject the PPA and change the Lead Market Participant from Eversource to a Burgess affiliate. Eversource is working with a team of expert bankruptcy attorneys, and that team has mounted an intensive effort to protect the Company's and, ultimately, its customers' interests in the bankruptcy proceedings.

Today, as the Commission is aware, we filed several objections and one motion with the

Bankruptcy Court. Those filings include an objection to the Debtors' Motion for Approval to Enter into a New Lead Market Participant Agreement, and the Motion to Transfer Venue from the Delaware Bankruptcy Court to the New Hampshire Bankruptcy Court.

The Company currently intends to file an objection to the Burgess companies' PPA rejection motion prior to the Bankruptcy Court hearing on motions and objections that is now scheduled for next Wednesday morning.

As we noted in the letter filed yesterday, it's our position that Eversource has not breached the PPA, and no grounds for termination or rejection of the PPA exists. Therefore, the PPA remains in full force and effect, and is binding both on Eversource and on Burgess. In particular, it remains in effect with respect to the netting and recoupment mechanisms and the ADR provisions of the PPA.

And, in the context of fully litigated bankruptcy proceedings, Eversource's key objective will be to defend its rights to administer and enforce the PPA as written, including implementation of the netting and recoupment, the Right of First Refusal, and the related purchase option.

That said, parties in the bankruptcy proceedings have engaged in settlement negotiations, and those negotiations are ongoing. Now, I'm not personally involved in those discussions. But my understanding is they are being driven by the secured creditors, who understandably have a strong financial interest in the future operation and/or sale of the Burgess plant. It will be premature at this time to speculate as to the ultimate outcome of those settlement negotiations. If no settlement is reached, then the bankruptcy will continue in Delaware, or in New Hampshire, if the Company's Motion to Transfer Venue is granted, and those proceedings may take a significant period of time to run their course. Although bankruptcy proceedings may be very dynamic and move quite quickly, they do proceed on their own schedule, and that schedule may not align with matters pending before any state regulatory body, including the Commission.

And, as our letter also sought to clarify, our view is the focus of the SCRC adjustment proceeding should be on the reasonableness of the Company's estimates of future Burgess PPA payments and netted amounts for purposes of the Part 2 costs and the Chapter 340 Adder.

As the Commission is aware, the SCRC is a fully reconciling rate mechanism, that is based, in large part, on forecasts and estimates for future periods, which will undoubtedly prove to be different from actual events as they unfold. There is an inherent uncertainty in any such reconciling rate mechanism that is addressed through the periodic true-up that now occurs on an annual basis through the SCRC. Of course, that uncertainty is heightened this year, because of the expiration of the Burgess PPA cap suspension, the payment dispute raised by Burgess, and the recent bankruptcy filings by the Burgess affiliates.

In view of that heightened uncertainty, I would ask that the Commission consider an alternative approach for the proceedings in this docket going forward. As I noted, there's a hearing scheduled for Wednesday morning in the Delaware bankruptcy proceedings, and there's also a hearing scheduled here, at the PUC, to address many of the same matters. As a result, it is possible, if not likely, that we will have no greater clarity on the outcome of the bankruptcy proceedings next week than we do now.

So, I therefore would like to propose that the Commission cancel the hearing next week, and, in lieu of that hearing, the Company will commit to provide written updates of the status of the bankruptcy proceedings every two weeks, or sooner, upon the occurrence of any material event, if it happens prior to the scheduled two-week update.

When there is greater clarity as to outcome of the bankruptcy proceedings, and any related impacts on the Burgess PPA administration, it may make sense to consider interim adjustments to the Burgess-related components of the SCRC rate, that the Commission has approved on a provisional basis.

I'm done. And I will now address any

questions.

CHAIRMAN GOLDNER: Thank you, sir. That was far less than ten. Very helpful.

Okay. Most of our questions are directed, Attorney Wiesner, at you, as a follow-up to your opening statement, and then as a follow-up to the bankruptcy filings. Just a moment please.

Okay. So, the first question is, you know, what's the benefit to Eversource ratepayers in enforcing the deal? So, Burgess filed to sever, and then Eversource's filing was that they're not allowed to sever. So, I'm trying to understand what the benefit is in the Company's filings, in the Company's bankruptcy filings in that regard?

MR. WIESNER: I mean, if I understand the question, I think our goal, as I said in the opening statement, is to continue enforcement and administration of the PPA, that is the means through which the 71.5 million Excess Cumulative Reduction balance can begin to be returned to customers for their benefit.

CHAIRMAN GOLDNER: And has the Company

done the math on, if the Agreement was severed, and the Burgess went straight to the ISO-New England Market, versus the alternative, which is the Agreement was enforced, which agreement would give ratepayers a lower price, a lower cost?

MR. WIESNER: I'm not aware that that analysis has been done. I mean, the suggestion, I think, is that it may be better to not have this contract in force, even if that means that there won't be recoupment against further payments.

CHAIRMAN GOLDNER: Yes. What I would say is, it's an interesting analysis, because, currently, the PPA provides a price of about $145 a megawatt-hour, where the current Eversource price, if I'm not wrong, is closer to $80 a megawatt-hour. So, if ratepayers were getting the $80 a megawatt-hour, the current Default Service price, as opposed to paying back at a rate of 145, we might find that ratepayers are actually better off to sever the Agreement.

So, what I would ask is, for next week's hearing, assuming that we stick with that, that the Company be prepared with witnesses to answer that particular question.

MR. WIESNER: But, and just to clarify, when we say "sever", Burgess, as I understand it, is basically seeking to reject the PPA, take control of the Lead Market Participant relationship with the ISO, and go on their merry way without the PPA. And, so, that means that Eversource would no longer be buying any products produced by the plant at the PPA contracted rates. But it would also not have the opportunity to net and recoupment against those payments.

CHAIRMAN GOLDNER: Totally understand. And the analysis would be that, in Scenario 1, that the Agreement is not severed, and that Eversource continued to pay at the PPA rate; and Analysis 2, that Eversource customers buy at the market rate, whatever that market rate is, today it's, you know, $82 a megawatt-hour, I think. And, over some time period, it could be that ratepayers are actually better off, in fact, they're probably better off, with a severed Agreement. So, they're paying $82, versus 145, over some time period. So, that would be something we would like to see for the next hearing, so just so the witnesses are prepared.

MR. WIESNER: I'll take that back. Thank you.

CHAIRMAN GOLDNER: Thank you. The follow-up to that would be, on Page 2 of the Change of Venue filing in Delaware, the Company says, on Page 2, that the PPA "protects New Hampshire ratepayers from paying too much for electricity". Can you share what the Company means by that?

And I'll give you a chance to find it, if you wish. It's Page 2 of the Change of Venue filing.

MR. WIESNER: I think that is just a reference to the opportunity to recoup the Excess Cumulative Reduction through the offset mechanism.

CHAIRMAN GOLDNER: Okay. Okay. Because, in the PPA, the ratepayers are paying like $145 a megawatt-hour, not the Default Service price. So, I just wanted to understand what the Company was trying to point out there. So, thank you for that.

And, then, on Page 4 of that same filing, the Change of Venue, it says, and I'll quote: "Prior to the alleged termination, PSNH invoked the dispute resolution procedures in the PPA, which require binding arbitration of the payment dispute, breach, and termination issues in New Hampshire."

And, so, my question for you there is, when did this happen, and why wasn't the Commission informed?

MR. WIESNER: There was, as I referred to in the opening statement, there was, and I gave you the brief version, but there was an exchange of letters between the companies after the January invoice, related to December production, was made available to Burgess. And, in that exchange, the Company, Eversource, said "if there's a dispute" -- first of all, you know, we believe we were well within our rights to have done the netting that we did. And, if there's a dispute about that, we look to the PPA, and the PPA requires, the first step is a meeting between executives of the companies. And I think that -- I don't think we -- some of those communications are, arguably, probably deemed "confidential" between the parties, in connection with their resolution of a dispute to a private contract, which was approved by the Commission, in particular, because of its potential impact on Eversource ratepayers. I don't think we considered at the time that that -- that that exchange of document -- of correspondence should be filed with or brought to the attention of the Commission.

CHAIRMAN GOLDNER: In hindsight, would the Company -- did the Company make a mistake? Should the Company have filed? I mean, I suppose you could have made a confidential filing, if you didn't want it to be in the public domain. But, if the SCRC is affected by a bankruptcy proceeding, or negotiations leading up to a bankruptcy, or the bankruptcy has already happened, then, I would have expected that the Company would have filed something.

MR. WIESNER: I'll just say that it is not unexpected that Burgess would file bankruptcy, now that the cap suspension has expired. That is something that was well known as a possibility for some time. That is essentially the reason, as best I understand it, why they sought relief from the Legislature, and got it three times, but the Governor only signed it twice.

CHAIRMAN GOLDNER: Okay. And, so, the next question is, is around how Burgess is operating today. So, can you tell us, sort of mechanically and financially, how Burgess is selling power into the market, having taken the position with Eversource that the Agreement is severed?

MR. WIESNER: Well, my understanding is that nothing is actually changed. That their production is effectively owned by Eversource, as a result of its Lead Market Participant status, and is being sold into the market for the credit of Eversource.

So, in terms of, like, on-the-ground operation, I don't believe that there's an actual change. They are seeking to alter that, of course, and that is the primary driver for the Motion to Change the Lead Market Participant. As you probably saw in the objection that we filed to that Motion, that is something that they would only have the right to do if the contract were no longer in force. Our view is that there was no breach, the termination was not effective. If there's a dispute regarding that, it should be addressed through ADR, as the contract provides.

And, in any event, if it is to be determined by the Bankruptcy Court, there should be an adversary proceeding, which is essentially litigation in the bankruptcy context, as opposed to just a motion filing.

CHAIRMAN GOLDNER: And, so, when Burgess produces power today, they're selling it into the ISO-New England Market, getting the ISO-New England Market rate. And the dispute is between Eversource and Burgess, relative to any additional payments beyond the ISO-New England rate, that Burgess is receiving. Is that right?

MR. WIESNER: No. What I'm saying is, the actual mechanics have not changed at all, as I understand it. Meaning, when they produce power, the power production, and whatever value it has in the ISO Market, is credited to Eversource, not to Burgess. Eversource continues to own that generation asset in the eyes of ISO-New England. And, so, the Company is credited for that production. And, then, you know, has the obligation to pay Eversource -- excuse me -- pay Burgess at the contract price, but subject to the netting and recoupment mechanisms which are now in effect.

CHAIRMAN GOLDNER: Okay. And I noticed also, in that same filing, the Change of Venue filing, on Pages 13 and 14, there is discussion of a "$5.961 million energy credit", and a net payment to the company, to Burgess that is, of "1.8 million".

And, so, I'm trying to understand what those payments were for. Why -- what was the 1.8 million payment for, and what was included in the $6 million, I'll call it "recapture"?

MR. WIESNER: So, the mechanism under the PPA is that one-twelfth of the Excess Cumulative Reduction balance as of the end of the preceding operating year, can be set off against -- it should be -- should say "netted and recouped", against payments that would otherwise be made to Burgess for production during the current operating year. And that's basically the 5.9 million. That amount, with respect to the January invoice for December production, that amount was "offset", I'll use that term, I think our bankruptcy lawyers would prefer that I use the term "netted", but it just rolls off the tongue, was netted or offset against both the energy payment and the REC and capacity payment, but there was a balance remaining, and that balance was, in fact, paid to Burgess.

CHAIRMAN GOLDNER: And that $1.8 million balance that was paid to Burgess, perhaps you could elaborate a little more, what's included in that? Like, how is that -- how was that calculated? Do you --

MR. WIESNER: Well, I mean, without getting into the specific numbers, the total payment that would have been done for -- due for December to Burgess comprises the energy payment for the month, capacity, and the quarterly REC payment. And, when you total those three things, it adds up to more than the 5.9 million. And the balance above the 5.9 million is the 1.8, roughly, that was paid to Burgess.

CHAIRMAN GOLDNER: Okay. And, so, this gets into sort of the next topic, which is that -- I'll start with the letter dated January 25th, from Eversource's attorney, Michael Perry, of Boston. And, in that letter, Attorney Perry says "Pursuant to Article", and this is, I think, what you were also saying, Attorney Wiesner, but you can correct me if I get this wrong. "Pursuant to Article 10.3 of the PPA, Eversource is entitled to net and recoup the deferred Cumulative Reduction Amount against all amounts owed by Eversource, including, but not limited to, any amounts owed for the New Hampshire Class I Renewable Energy Credits and/or Capacity."

But, in our January 19th hearing, Ms. Chen, Transcript Pages 74 and 75, and specifically said the opposite, that, in fact, the REC and capacity payments would not and could not be netted per the PPA.

MR. WIESNER: And we addressed, I think, that timing issue in one of the record request responses following the hearing. Effectively, the final decision to net against both sections of the PPA, and, therefore, against capacity and RECs, was made -- was finalized at some time after the hearing, but before the invoice was prepared. So, that is a timing issue.

The folks who were here on the morning of January 19th gave testimony according to their best understanding. A decision was made subsequently, I believe, with respect to the RECs, in particular, because of the value of those RECs. And I would say, again, as I suggested in my opening statement, with the goal of maximizing the benefit for customers, by exercising the maximum netting permitted under the PPA, to also withhold payment for some portion of the REC and capacity payments.

CHAIRMAN GOLDNER: So, the Company's position changed six days after the Commission hearing? So, in the Commission hearing, the Company's position was "REC and capacity payments cannot be netted", and then six days later the Company's position changed to they "could be netted", but the Commission wasn't informed. Is that a fair summary?

MR. WIESNER: The Commission was informed through the record request response, which referred to the 10.3 netting, as well as the 6.1.4(c) netting.

CHAIRMAN GOLDNER: We'll have to look at that at break. I did not -- that was not my understanding of the record request, but we can look at that at break.

All right. So, going back to the Motion to Change Venue from the Delaware Bankruptcy Court, if we go to Points 92 and 93, I'll just read them into the record. It says -- 92 says "Moreover, the New Hampshire PUC regulates PSNH and the PPA pursuant to which PSNH purchases the products of the Facility, and is actively exercising that jurisdiction in connection with the recent PSNH petition to adjust its SCRC." And, then, it says "Accordingly, the New Hampshire PUC is likely to be an active participant in the Debtors' bankruptcy proceedings."

Then, in 93, it says "Accordingly, this factor weighs strongly in favor of transferring the venue of these bankruptcy proceedings to the

New Hampshire Bankruptcy Court."

So, I would just add, that, given the Commission's role as arbiter and as an adjudicative body, we don't understand why the Company would take the position that the Commission would "be an active participant" in a bankruptcy proceeding in Delaware, involving a merchant power plant as a Debtor movant, and Eversource as a creditor respondent, in a matter that has an impact on active dockets.

So, I'd like to give Attorney Wiesner a chance to respond to that filing.

MR. WIESNER: Well, I think, you know, that probably should be read as "the New Hampshire PUC is likely to have a strong interest in the Debtors' bankruptcy proceedings", as opposed to being an "active participant".

The outside counsel who worked on this, I think, may not have coordinated closely with the folks who do state regulatory work for the Company.

CHAIRMAN GOLDNER: Would Eversource be filing a correction to this assertion with Delaware, because that's a significant difference?

MR. WIESNER: I will take that back as well. I think that's -- I believe that would be an appropriate thing to do. There are many good reasons why the venue should be transferred to New Hampshire. But I would hate to think that the Court would look at it and say "Well, if the PUC is going to participate, then we need to have it up there."

CHAIRMAN GOLDNER: Thank you. That is agreeable.

Let's see. Let's turn to some -- the confusion, at least that I have, relative to that January '24 -- January 2024 payment, I'm looking at Docket 22-039, dated 01-01-2023, Attachment MBP-1, Page 6 of 7. It's that spreadsheet that Eversource always provides. And it shows that Eversource in the -- what I'll call "year 2023", which extends through January 2024, it shows that quarterly REC payment, and it shows that the Company is collecting that quarterly REC payment from ratepayers. But the Company's position just taken is that the Company is withholding that, and thus ratepayers, I think, are caught in between.

So, I'd like to give you an opportunity to talk about that quarterly REC payment, January 2024, on last year's SCRC collection. So, you collected it, Eversource collected it, right? And, then -- and now, it's being withheld. So, we're just trying to understand that transaction.

MR. WIESNER: Well, I'm not clear on what time period we're looking at?

CHAIRMAN GOLDNER: So, we're looking at the year beginning February '23 through January '24. So, it's last year. So, you had an SCRC rate that was set by the Commission one year ago, January of 2023, for the upcoming year. And the Company had a set SCRC rate that collected that amount.

MR. WIESNER: I mean, that is an estimate. And, as, you know, circumstances showed, that that estimate turned out not to be correct, with respect to that January REC payment, because of the decision to net against those payments, as permitted by the PPA.

CHAIRMAN GOLDNER: When was the

bankruptcy filed?

MR. WIESNER: When was the bankruptcy filed?

CHAIRMAN GOLDNER: By Burgess?

MR. WIESNER: February 9th, this past Friday.

CHAIRMAN GOLDNER: So, how would the Company not make a payment in January, if the bankruptcy filing wasn't until February?

MR. WIESNER: Because the PPA permits that netting mechanism to be applied to REC payments and capacity payments, as well as energy.

CHAIRMAN GOLDNER: But not until February 1st?

MR. WIESNER: No, no. That's -- no, we're talking about the REC payments, the invoice that covers the fourth quarter of 2023 REC Payments is payable in January. But that is after the cap suspension expired at the end of November, so that the netting mechanisms were implementable. And, so, as I had mentioned in the opening statement, the Company took the opportunity to net against both of those other products, as well as energy, with respect, you know, at the first opportunity they had, which was for the January invoice relating to December energy production and fourth quarter REC production.

CHAIRMAN GOLDNER: Okay. So, maybe you can -- we'll probably come back to this topic here in a little bit.

But can you -- can you walk us through the implications of the Berlin plant being successful in its seeking bankruptcy relief, and being able to walk away from the PPA? Meaning that, if the Berlin plant is successful in Delaware, should Eversource continue to collect the Part 2 and Chapter 340 costs, if they're successful?

MR. WIESNER: Well, to the extent that there are -- I mean, if the Company is no longer buying power from Burgess pursuant to the PPA at an above-market cost, or RECs or capacity, then the portions of the SCRC that address Burgess costs would be on a glide path to being zeroed out. But there would be cleanup, so to speak. There would be reconciliations that would need to be made, again, estimates versus actuals, that would not be implemented immediately, I would think.

So, in other words, it would take some time, and I don't know how long, sitting here, to work itself through the system. But it would not be, I mean, in three years from now, we won't be talking about this anymore, because there wouldn't be any Burgess contract. I mean, similar to Lempster, you know, Lempster was under this, was under SCRC as well, but that contract ended. And, you know, any impacts of that are going to walk their way through the system, and then be done.

CHAIRMAN GOLDNER: Okay. And should the SCRC rates, the Part 2 and Chapter 340 rates, relative to Burgess, be suspended, pending further developments in the litigation?

MR. WIESNER: I mean, our position would be "no". But, you know, there is, as I mentioned in the opening statement, there is currently great uncertainty about what the future holds. And, if the PPA is going to be terminated or rejected by the Bankruptcy Court, and Burgess is free and clear, then that will change things dramatically. I don't believe we have analyzed that scenario internally, as to what that might mean for any interim adjustments to the SCRC. If there are no interim adjustments, then the rate would continue in effect, and would be reconciled ultimately next year.

You know, that would, obviously, I think, be a very material development that might warrant a relook at those components of the SCRC on an interim basis.

CHAIRMAN GOLDNER: And I think the "cleanup" that you're referring to is primarily the carryforward, as I recall, I don't have the numbers in front of me, but there was a $20 million plus carryforward estimated in the current SCRC rate that's being charged right now, from last year. So, I think what you're suggesting is the carryforward would -- the Company would want to collect that carryforward, and that would be the "cleanup" that you're referring to?

MR. WIESNER: That, and, I mean, we are already into the new year now. Excuse me.

Because, as I mentioned earlier, you know, as we speak, the energy production from the plant is being credited to Eversource, as best as I understand it, and subject to the PPA.

What happens in bankruptcy, if there's a settlement that would end the Company's involvement with the PPA, that would be a material event that would need to be accounted for at some point through the SCRC.

So, I think the "cleanup" that I referred to would certainly cover the carryforward that you mention. There may be some other aspects to it. I can't speak to that in detail as I sit here.

CHAIRMAN GOLDNER: Okay. Okay. And, then, I have this one question, and then I'll -- last question for now, and then I'll turn it over to Commissioner Simpson and Commissioner Chattopadhyay, and then we'll take a break.

So, the Commission had asked for a full accounting of the derivation of this $71 million CRF. And we got filings that were, I'm going to say, nonresponsive to that request.

I just want to make clear to the

Company what we're looking for. So, going back to day zero, when the 171 million was accumulated, we need to see the accounting year-by-year that gets us to the 171 million, offset by the 100 that was forgiven, to make sure that our starting point in this calculation is correct.

And, so, that would be a record request that we'll make in this, in this hearing, to make sure that we have a full accounting, and make sure that everyone, all the parties, are aligned with the exact amount of the -- of the amount owed to New Hampshire ratepayers.

MR. WIESNER: I mean, we did attempt to address that in the record request that was provided. If more detail is necessary, we can take another crack at it.

CHAIRMAN GOLDNER: Yes. Let me try to describe it.

So, the carryforward started -- it started in 2012? 2014? Do you remember what year the accounting started, the plant went live, and the carryforward began? I don't remember which year. It was 2012 or 2014.

MR. WIESNER: I'd have to check.

CHAIRMAN GOLDNER: It was an even number, I know that.

So, yes. So, whatever year the plant started, just marching forward in time, the carryforward each year, and the math that goes into the carryforward. And I just want to make sure all the parties have the math, so that they can be comfortable that we are comfortable that we're talking about the right starting point as we move forward. So, just to have the baseline.

Okay. And we'll make that -- we'll make that a record request.

So, I'll pause my questions there. And I'll move to Commissioner Simpson.

CMSR. SIMPSON: Just ask one now, and then wait to hear from the other participants here today.

With respect to the bankruptcy proceeding, what status does Eversource have as a creditor?

I saw in some of the filings it's listed as an "unsecured creditor". And I wanted to see if the Company intends to pursue a different position?

MR. WIESNER: No, I believe that's correct. I mean, there's no specific security for the PPA. There's the netting and recoupment mechanism, there's a Right of First Refusal, if Burgess seeks to sell the plant. And, then, there's the purchase option, which is a separate agreement, which Burgess has also sought to reject.

Those are contractual rights. They're not "secured", in the sense that there's a mortgage or security interest or some form of financial security, letter of credit or something like that.

CMSR. SIMPSON: Okay. Thank you. That's all I have right now. And I may have other questions, after we hear from the other participants. Thanks.

CHAIRMAN GOLDNER: Okay. Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: So, this is intended to understand what's going on. And, so, I will be using nontechnical terms, or the way I describe it.

So, what I want to understand is, if what Burgess is trying to do is successful, I think, as I understand it, the money that you receive for the production, Eversource won't be receiving it, they will be receiving it directly?

MR. WIESNER: If they reject -- if the PPA is rejected, and the Burgess affiliate is designated as the Lead Market Participant in the ISO, then, yes. Burgess would be credited for the value of that energy production in the ISO Market Settlement System, and the Company would be out of that loop.

CMSR. CHATTOPADHYAY: So, what they are trying to do is, the money you're receiving right now, and you're holding onto it and not, you know, counting it against the CRF, they want to take that ability away, and they want to be paid?

MR. WIESNER: They want to be --

CMSR. CHATTOPADHYAY: Paid directly.

MR. WIESNER: -- free and clear of the PPA, including the netting and recoupment mechanism, --

CMSR. CHATTOPADHYAY: Okay.

MR. WIESNER: -- now that they're in

effect.

CMSR. CHATTOPADHYAY: Yes. I think what you're saying is, how I am visualizing it, I was just trying to get it in terms of numbers or directionally dollarwise.

The other question I have is, in getting to the 71.5, or the 71 million CRF, now that I understand that the over-market costs that appears to be that you want to not -- you want to hold onto, includes RECs and capacity markets. It just -- it would be helpful for me to understand whether the $71 million CRF accounts for over-market costs that are related to RECs and capacity market as well?

MR. WIESNER: Excuse me, no. The Excess Cumulative Reduction is set up -- well, I should say the Cumulative Reduction is set up to be a comparison between the price that's paid for energy under the PPA and the value of the energy, and potentially related ISO market products, such as ancillary services or whatever, to the Company.

So, it's measuring that delta. But it does not include the potentially above-market costs of RECs or capacity.

CMSR. CHATTOPADHYAY: So, just -- I was trying to get a confirmation. Okay. So, that is purely based on the energy prices.

And, now, in terms of dealing with the CRF, you are saying this happened five days after the previous hearing day, that you've decided to use both -- sorry -- use not only the energy portion, but also REC and the capacity market portion to eat into the CRF, right?

MR. WIESNER: Yes.

CMSR. CHATTOPADHYAY: Okay.

MR. WIESNER: And, in a record request response, that I think was Record Request Number 004, that was -- the response that was provided following the January 19th hearing, we did flag the fact that the "set-off", as it's referred to there, was expanded to include both capacity and REC payments, in addition to energy, because of the decision that had very recently been made to invoke Section 10.3, as well as Section 6.1.4(c) of the PPA.

CMSR. CHATTOPADHYAY: And probably the answer is already there, but that new "reality", or approach, that's going to impact how the CRF fund changes over time, right?

MR. WIESNER: If the PPA remains in effect, and the plant continues to operate, yes. And one of the record requests --

CMSR. CHATTOPADHYAY: Can you remind me which one was it? I just want to know that.

MR. WIESNER: Yes. So, this is Record Request 004. And that is where there are two different versions of the --

CMSR. CHATTOPADHYAY: Thank you.

MR. WIESNER: -- hypothetical Excess Cumulative Reduction balance, netting and crediting again. This is also showing the ongoing comparison between contract prices and market prices, which are based on forward price forecasts as of the time when the response was prepared.

CMSR. CHATTOPADHYAY: Okay.

MR. WIESNER: But it does give you an indication of how that would work, and there is a difference.

CMSR. CHATTOPADHYAY: And I'm not looking at it right away. But would it dwindle the amount quicker?

MR. WIESNER: It would.

CMSR. CHATTOPADHYAY: Okay. Thank you. That's all I have.

CHAIRMAN GOLDNER: So, I just want to clear up something before, that we were talking about before, Attorney Wiesner, just to make sure we're on the same page.

So, the hearing with the Commission was on the 19th of January. And the letter that was written from Eversource, changing the Company's position on RECs and capacity, was on the 22nd. So, there must have been some -- yes, the first communication with the Company with Burgess. So, the Company's position changed over the weekend. And, so, I'm just trying to get an understanding of how the Commission could have gotten the wrong information only three days before the Company had a change of position?

MR. WIESNER: I'm not sure I know all the details as I sit here. The folks who were making the decision to go that route is a separate group of people than those who were here on Friday morning, the 19th.

CHAIRMAN GOLDNER: So, I would just suggest, in future hearings, we need to have the right people in the hearing room that know what's going on. That's a problem for the Commission.

MR. WIESNER: I will also say that, you know, a decision is -- there's one -- one view of the world is a decision is made when it's final and it's implemented, and up to that point it can't be changed. And I think there would have been a strong reluctance to publicly announce a new strategy regarding the scope of the netting in a public hearing.

CHAIRMAN GOLDNER: We have confidential --

MR. WIESNER: More as a general comment.

CHAIRMAN GOLDNER: Yes. We have confidential opportunities in the Commission as well. And I would expect the Commission to be informed by Eversource of their position. And that was a disappointing development.

So, let me do this. Let me see if the Department or the OCA has anything they would like to add, before we take a break for the

Commissioners to confer?

MR. CROUSE: Looking to go first, I suppose. The OCA would benefit from a break to better develop the questions that we would like to ask. So, nothing to add at this moment.

Thank you.

CHAIRMAN GOLDNER: Okay. Very good. Mr. Young?

MR. YOUNG: The Department would also perhaps benefit from a break.

I would just like to maybe address one clarifying point that I think Commissioner Chattopadhyay had mentioned.

The amount with the new, I guess, REC set-off would dwindle the 70 million amount, I guess, in a way. But that would also increase the over-collection at the end, I think was just a point of clarification, is my view.

Based on what was approved in the order.

CMSR. CHATTOPADHYAY: And you said at the end, and it would also increase, okay, --

CMSR. SIMPSON: Over-collection.

MR. YOUNG: Over-collection, correct.

CMSR. CHATTOPADHYAY: Okay. Okay. Thank you.

CHAIRMAN GOLDNER: All right. I'll ask the question of the OCA and the DOE, how much of a break would you like to have to sort through your questions?

MR. YOUNG: Ten minutes would be okay for the Department.

CHAIRMAN GOLDNER: Okay.

MR. CROUSE: The OCA is also fine with five or ten minutes.

CHAIRMAN GOLDNER: Okay. Let's resume at five after.

*(Recess taken at 1:52 p.m., and the hearing reconvened at 2:10 p.m.)*

CHAIRMAN GOLDNER: Okay. One or two more questions for Attorney Wiesner, and then we'll turn to the OCA.

So, the first question for you, Attorney Wiesner, is that the Commissioners would like to know when this new interpretation was taken, I'm talking about the unilateral change in position on RECs and capacity, and on whose authority?

MR. WIESNER: I'm not sure I understand the question.

CHAIRMAN GOLDNER: Sure. So, on the 19th, we had a hearing here at the Commission. The position taken from the Company, to the Commission, was that the RECs and capacity were not decremented to Burgess. On the next, the following Monday, the Company's position had changed. And, so, we'd like to understand what happened there, and on whose authority was that decision taken?

Because the witnesses we had here told us the opposite of what the Company's position was on Monday.

MR. WIESNER: I mean, I believe it's the people responsible for direct administration of the Burgess PPA who were the primary drivers of that decision.

And I'm -- I mean, forgive me for saying this, but I'm not sure I fully understand the relevance of that. A decision was made to expand the netting, in the interest of providing greater and more immediate benefit to the customers. The people who were testifying that morning were not directly involved in the administration of the PPA.

And I think, you know, as I mentioned in my opening statement, the primary role for the Commission in the SCRC docket is to determine whether the Company's estimates are reasonable.

And, understanding that this is a new wrinkle, and is different from what you had seen historically, because there was no opportunity for the Company to exercise the netting mechanism against payments made to Burgess. So, the only issue was what payments were made, versus what was the market price, that was the over-market portion, which then ran through the SCRC. Now, we have this new approach.

And I -- I would say that the Company made a special effort to seek to obtain greater benefit for its customers, as a result of the expanded netting that was implemented with the January invoice.

CHAIRMAN GOLDNER: Well, I would say the PPA either said one thing or it said another, and the Company took a position on a Friday, and then a different position on a Monday. So, there's that.

I would say, secondly, that we obviously had the wrong witnesses at hearing, because they couldn't testify as to the Company's actual position. So, I would ask, at next hearing, for the Company to provide the right witnesses, that understand the transaction, when it happened, how it happened, for what reasons it happened, because the Commission wants to hear about that.

And, then, finally, we'll need to understand at the next hearing what it means for the rates. Because, obviously, the SCRC has changed, and, Attorney Wiesner, your point is that it's favorable to ratepayers, but nevertheless it's changed. So, we would need updated SCRC rates, updated schedules, to understand what that -- what the new transaction is, and so that we can make adjustments, an appropriate adjustment to the rates.

Commissioner Chattopadhyay, did you have a follow-on question for Attorney Wiesner?

CMSR. CHATTOPADHYAY: I think you covered that, the last piece, that was in line --

in line with what I wanted to understand.

So, clearly, the rates that went into effect, they didn't account for the adjustment for the RECs and the capacity market, right? I'm just trying to understand.

MR. WIESNER: Yes. That is correct.

CMSR. CHATTOPADHYAY: And, now, the position is that those two things should be also in the mix, and therefore the rates would have been different, if you had known that beforehand?

MR. WIESNER: That's correct. And I think we indicated that in one of the record request responses, and offered to provide updated schedules, if the Company -- if the Commission so directed, rather.

I think, you know, since then, we now have the bankruptcy, which has, you know, raised greater uncertainty about the future of the PPA and how it will be administered. Again, as I said in my opening statement, our current position is we're going to seek to enforce and administer the PPA according to its terms, notwithstanding the bankruptcy, but, of course, subject to the bankruptcy, object to any attempt by the Burgess companies to reject the PPA and the Option Agreement.

But, as I also noted, there are currently settlement negotiations ongoing. I am not personally involved in them. They may be taking place as we sit here right now.

CMSR. CHATTOPADHYAY: Yes. I think I understand that, you know, things are in a flux. But it would be helpful, and, if that record request already addresses it, I'd be happy to take a look. I'm just trying to understand what it means for the Chapter 340, so, you know, the rate, that adjustment, how does that impact the rates?

MR. WIESNER: Right.

CMSR. CHATTOPADHYAY: So, and if that is covered in the record request, would be good to know where. And otherwise, that's what something is driving my, you know, inquiry here.

MR. WIESNER: Just to be clear, the record request refers to "updated schedules" for the Chapter 340 adder that would reflect the broader netting mechanisms, if you will. But those were not provided with the record request.

CMSR. CHATTOPADHYAY: Okay. So -- but that's something we would be interested in.

So, thanks.

CHAIRMAN GOLDNER: So, I'll just -- Attorney Wiesner, I'm just going to respond directly to your point.

So, you're referring, I believe, to confidential Attachment RR-03. So, this is confidential for the court reporter.

Well, let me ask Attorney Wiesner this. So, in confidential Attachment RR-03, is there anything in there that you would be uncomfortable sharing?

MR. WIESNER: I mean, the information that is shown as shaded in the confidential version is something that should not be publicly disclosed.

CHAIRMAN GOLDNER: Okay. So, what I'll read into the record is not -- is not confidential, and the agreement, Attorney Wiesner, you'll stop me if I hit something confidential.

So, I'm going to start reading the paragraph with the word "Following", "Following a further review". I'll just let you catch up, to make sure I"m not reading something in that's --

MR. WIESNER: Right. And none of the text is confidential.

CHAIRMAN GOLDNER: Okay.

MR. WIESNER: It's only certain of the numbers that are included in the schedule.

CHAIRMAN GOLDNER: Okay. Perfect. So, I'm just going to read into the record what RR-03 says, and why I'm encouraging the Company to strive for improved transparency. It says "Following a further review of the Burgess Amended and Restated Power Purchase Agreement provisions, the Company has very recently decided to set-off against payments for Renewable Energy Certificates, which were received within the last week and after the SCRC filing, in addition to Capacity and Energy Payments. That additional set-off will be implemented under PPA Section 10.3 of Article 10 Billing and Payment, when other components on the Burgess energy" -- "on the Burgess invoice are insufficient to cover the amounts owed to the Company. The schedules provided with the January 8th updated filing do not account for those additional set-offs. The Company is prepared to update those schedules and submit an updated filing, if so directed by the Commission, prior to the effective date of the SCRC rate adjustment."

So, that is I think what you're referring to is the heads up to the Commission. I would say, I'm looking to the OCA and the DOE, it may have been perfectly clear to you, but it wasn't clear to me when I read that, that that was what that was telling us. So, you can feel free to comment or not comment on that over time.

But I struggled with the clarity and the transparency of that disclosure in Record Request Number 003.

MR. WIESNER: And I'll just say, a lot of this is based on timing. And it would have been possible to provide updated schedules to the Commission prior to February 1st, and that's what this, the language that you quoted, says. I think it would be have been difficult for the Commission to presumably have another hearing on that updated information prior to February 1st.

Now, to some extent, that issue was

resolved by virtue of approving these rate components on a provisional basis, with the opportunity to take another look at them, you know, through subsequent hearings.

CHAIRMAN GOLDNER: Okay. Okay, thank you.

MR. WIESNER: And, again, that is just related to the expanded netting that was implemented by the Company. Now, we have a bankruptcy, and that creates its own separate uncertainties.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Wiesner.

We'll turn now to the Office of the Consumer Advocate, and Attorney Crouse.

MR. CROUSE: Thank you, Commissioners. I have a couple questions for Attorney Wiesner, and then I'll turn it over to my co-counsel, Attorney Fossum.

Attorney Wiesner, it's been characterized by the Social Media Manager of Eversource, William Hinkle, through New Hampshire Public Radio, In-Depth New Hampshire, WMUR Channel 9 News, that Eversource said it's "pursuing mediation to get the $71 million in over-market prices paid Burgess for their energy over the last several years, with all of those collections going directly to customers."

So, the $71 million question is, what assurances do customers have that these mediations are going to resolve in them seeing that refund?

MR. WIESNER: I mean, the ADR provisions in the PPA, it's the Company's position that those should be the means of resolving any dispute with the Burgess companies regarding the scope of the netting and the payment to which they are due.

That is -- I can't tell you that that is progressing currently, because instead we have a bankruptcy, and the Burgess companies are seeking to reject the PPA. That they claim that the Company's alleged breach has justified them in terminating the PPA prior to them filing bankruptcy. But they are also seeking to reject it as an executory contract under the Bankruptcy Code as burdensome to the bankruptcy estate.

So, I am not -- this may be resolved

outside of a mediation or arbitration scenario, but that is one of the many things that's up in the air, given the recent bankruptcy filing.

MR. CROUSE: Thank you. With respect to the bankruptcy proceeding at this time, has it been made clear what assets or debts have been disclosed, such that, with the securitized lenders, who are probably in line before the uncredit -- or, unsecured position that Eversource has, what refund or benefit could be passed through to customers with outside of mediation?

MR. WIESNER: I would be very surprised if there were any amount, I'm speaking somewhat out of school, but I have, I think, reason to believe that, if there were a liquidation, for example, that there would not be any additional proceeds of any sale of the plant to provide any value to unsecured creditors, such as the Company, and, ultimately, its customers, through the bankruptcy proceedings.

MR. CROUSE: Thank you.

To address a question raised by Chairman Goldner earlier, I would differentially offer to the Bench a clarification comment that, while the PUC may not be a present participant in this bankruptcy proceeding, when PSNH was going through its bankruptcy, the PUC, the Department, and the OCA were all parties at that time. And, so, the opportunity to participate is likely here, even though the circumstances aren't identical. That's something that the OCA is internally deliberating on, whether we should be intervening in that matter.

So, I would just offer that as a clarification point, and turn the questions over to Attorney Fossum.

MR. FOSSUM: Thank you. I'm not sure I had any.

I just wanted to pick up on one question about the potential available assets. And you had mentioned, if there was a liquidation, there might not be anything available. Since they have only applied for a Chapter 11 reorganization so far, have -- do you have any information or knowledge, I didn't see anything that was filed, but do you have any information or knowledge about what they have, as far as assets and liabilities as a going concern, versus what they might have as a liquidation?

MR. WIESNER: I have not personally reviewed the bankruptcy schedules in any scenario. And, certainly, it is their -- as I best understand it, it is their proposal to continue to operate the plant, perhaps seek a buyer for the plant, but they want to be able to reject the PPA before continuing to operate it themselves, or selling it to some third party.

And, in that scenario, it's not clear whether there would be some type of dividend available to pay unsecured creditors, such as the Company, for whatever damages it may be able to assert based on a breach of contract.

MR. FOSSUM: I actually have a lot of questions about the bankruptcy itself, but I don't know that here and now is the right time for those questions, I guess. I'll finish with this last question.

As you had said in your opening, and correct me if I misremember or misunderstand, that it's currently the Company's intention to enforce, basically, all of the provisions of the contract, the ADR, the offsets, the Right of First Refusal, all of those provisions. Are those options still -- are they legitimately on the table and being discussed, or is it just that's the Company's opening position?

MR. WIESNER: I mean, in terms of objecting to the Debtors' proposal, is to reject the PPA and the Option Agreement, and to take over the ISO responsibility as the Lead Market Participant, we are objecting to that, and we are doing so on the basis that it's inconsistent with the PPA, and that the PPA is still in effect, and that the Company is seeking to enforce and continue to administer that PPA, you know, largely for the benefit of its customers, with respect to the netting mechanism.

But there are settlement negotiations ongoing. And it is certainly unclear at this point whether any such settlement discussions will be successful or what the outcome of them might be.

MR. FOSSUM: Okay. Yes, I suppose one question I have, and I will not ask you to answer it, but I will let you know that it's something we're thinking about, is that there is that Option Agreement, and would be curious to know whether the Company might ever actually consider exercising that Agreement and actually purchasing the plant?

Again, I'm not asking you to answer that today. But I just want to let you know that's something that we would be watching.

MR. WIESNER: Thank you for not asking it.

CHAIRMAN GOLDNER: Thank you. We can turn now to Attorney Young?

MR. YOUNG: The Department, we don't have any questions for Mr. Wiesner today, I think maybe just some remarks.

The Department does understand that the SCRC rates are currently set at a level, was based on certain estimates, which have now changed. We're not certain at this moment whether it's necessary to adjust these rates to accommodate those changes, especially in light of this bankruptcy.

I think, in regards to Mr. Wiesner's proposal about next week's hearing, it may allow for more developments in the bankruptcy hearing to come to light, and would also allow for the DOE and the OCA to exchange written DRs to the Company's witnesses on some of these issues, which might be helpful.

And I think I would just -- I would also maybe mention that the DOE has talked to legal counsel about intervening in the bankruptcy proceeding as well.

CHAIRMAN GOLDNER: Okay. Thank you.

So, a couple of follow-ups for Attorney Wiesner.

Is the PPA transferable? In other words, if Burgess/Berlin sell to some other entity, is the PPA transferable or is it terminated upon sale?

MR. WIESNER: I'd have to check the provisions. I don't think that is their proposal. I think that they, you know, they have characterized the PPA as an "unreasonable burden" on the bankruptcy estate, and that it would prevent them from successfully reorganizing, and I think that's the motivation for them to seek to reject it.

You know, of course, their position is that it was terminated prior to their filing; we dispute that.

But, even if it's not deemed to be in breach, the Bankruptcy Code does, you know, provide an opportunity, under many circumstances, for debtors to reject executory contracts that results in a damages claim for the counterparty whose contract has been rejected, as best I understand it. I'm not clear what that would be or how that would be quantified, or, you know, as indicated in my responses to Attorney Crouse, whether there would be any, you know, value left, after the secured creditors have been accounted for.

CHAIRMAN GOLDNER: And I guess the follow-up to that would be, is there -- is the Company pursuing or does the Company plan to pursue a kind of structured settlement, where the Company would recover the $71 million that it's owed, and the Agreement is severed?

That seems like it could be -- that sounds like it could be an option.

MR. WIESNER: Well, as I noted, there

are settlement negotiations ongoing. I'm not personally involved with them. The folks who are are probably personally engaged in them as we speak, because I think there's some interest in exploring a settlement, even prior to the Bankruptcy Court hearing scheduled next week. So, there may be some, you know, developments that materialize in very short order.

But I certainly do not want to speculate on what those terms might be, or when any final settlement might come together. We just don't know at this point.

CHAIRMAN GOLDNER: Okay.

So, I think, do my fellow Commissioners have any additional questions for any of the parties?

*[Cmsr. Simpson and Cmsr. Chattopadhyay indicating in the negative.]*

CHAIRMAN GOLDNER: So, I think the plan from here is to move forward with the hearing next week. And we may have many continued hearings in this docket, given the magnitude of the issues and the importance of this particular item. And, so, we will do that.

Attorney Wiesner, we would request is that we have sort of, I'll say, the right witnesses here. And we wanted to have this hearing today to give you a favor for the kinds of things that we're interested in, and to use your judgment to determine who the right folks are to have at the scheduled hearing next week.

And, depending on the timeframe in which it takes to resolve the bankruptcy issue, we may have multiple additional hearings, or February 21st, I guess, could be the last one, depending on the timing of the resolution of the bankruptcy proceedings.

So, I'll just ask at this point if there's anything anyone else would like to add, before the hearing next week?

I assume there will be witnesses, obviously, there will be witnesses from Eversource. Will the OCA or the DOE be providing any witnesses for that session?

MR. CROUSE: The OCA is not planning on providing witnesses. But we will reach out, if we make a determination otherwise.

CHAIRMAN GOLDNER: Okay. Thank you.

Attorney Young?

MR. YOUNG: The Department is not preparing witnesses.

CHAIRMAN GOLDNER: Okay. Very good.

MR. WIESNER: And I will say, it is our intent to have a witness here from the Energy Supply Department of the Company. You may have noticed in the revenue -- excuse me -- in the record request responses that "Parker Littlehale" was listed as one of the co-witnesses. And it's my expectation that he will be here for that hearing, and can speak with more direct knowledge to the contract administration questions that the Commission may be interested in.

The first request from the Bench was to perform a comparison of the value of the PPA -- or, I should say, the benefit to customers with and without the PPA. The people who would be preparing that analysis are not here with me today. We will try to have that done before the hearing. But I can't commit to you that timing, as I sit here today. I can't commit their time and resources.

CHAIRMAN GOLDNER: I understand. And I

think the adjusted SCRC rate, with the latest assumptions, relative to capacity and the RECs, would also be helpful for the proceeding. We don't have to have it, we can proceed without it. But it would be more constructive if we have the information sitting in front of all the parties to be able to ask the appropriate questions.

Because, ultimately, in this docket, we're tasked with setting the SCRC rate. So, that's what we're trying to get to.

Okay. Well, we will issue a post PHC order, just to make sure that we have all of the record requests and everything documented, Attorney Wiesner, because I know we've covered a lot of ground today. So, we can do that.

And I'll just ask if the parties have any additional comments? And, of course, if the parties would like to make a closing statement, that's always welcomed.

MR. YOUNG: No remarks or comments from the Department.

CHAIRMAN GOLDNER: Okay. Attorney Crouse?

MR. CROUSE: No comments from the OCA.

CHAIRMAN GOLDNER: Okay. Attorney Wiesner?

MR. WIESNER: And I have nothing to add at this point.

CHAIRMAN GOLDNER: Oh, you had two minutes to spare in your opening statement. So, we had time to spare.

MR. WIESNER: I could read the last paragraphs again?

*[Laughter.]*

CHAIRMAN GOLDNER: Thank you.

MR. WIESNER: Noted.

CHAIRMAN GOLDNER: Okay. Well, I'll thank everyone for their participation on this hearing, which was called, I think, only 36 hours in advance. This was very important for the Commission to understand the situation, and hopefully was helpful for the parties, too.

We'll look forward to the hearing on February 21st. And we are adjourned. Thank you.

***(Whereupon the hearing was adjourned at 2:35 p.m.)***