



Quarterly Banking Digest

Q1-2022

COVID-19 UPDATE

- The banking industry continues to accumulate data to assess the impact of the COVID-19 pandemic. Loan loss provisions have been building up during the pandemic due to negative economic activity. Similar to the last quarter, banks continued to update their estimates of future economic activity and valuations, which resulted in the release of excess provisions due to improved performance in the credit portfolio. With customer forbearance schemes ended and economic activity gradually increasing as public health-related capacity limits and measures to restrict movement are relaxed, travel restrictions are eased and staff continue to return to office premises, and the economy transitions to the new normal, the Bermuda Monetary Authority (Authority or BMA) has scaled back on its enhanced monitoring framework. The Authority continues with the quarterly review of deposits balances and foreign exchange purchase transactions.
- Notwithstanding the improvements noted, monitoring the banking industry's liquidity, solvency and operational resilience remains a key priority for the BMA.

BASEL III REQUIREMENTS

- All banks are required to meet the 100% minimum requirement for Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).
- All banks are required to hold additional capital in the form of a Capital Conservation Buffer (CCB) at 2.5% of Risk-Weighted Assets (RWA), increasing the minimum Common Equity Tier 1 (CET1) requirement (plus CCB) to 7.0% of RWAs.
- Banks deemed systemically important to the island's economy are required to maintain a Domestic Systemically Important Bank (D-SIB) buffer that can range from 0.0% to 3.0%, depending on the bank's balance sheet size and unique risk profile.

PERFORMANCE HIGHLIGHTS

- The banking sector's capital position remains stable and above the minimum requirements and buffers. At the end of the quarter, the Risk Asset Ratio (RAR) stood at 22.8%, while CET1 was slightly higher at 20.6%. The leverage ratio was slightly down, falling to 6.2% at the end of the quarter.
- Total assets totalled \$28.0 billion in the first quarter of 2022, a 4.5% (or \$1.2 billion) increase over the prior quarter.
- Banking sector performance improved in Q1, with banks reporting net after-tax income of \$63.2 million, representing a 15.7% increase over the prior quarter.

SUMMARY INDICATORS

Table I summarises selected indicators, calculated on a consolidated basis, including capital, earnings and asset quality.

Table I: Selected Financial Soundness Indicators

Ratios	2022	2021			
	Mar	Dec	Sep	Jun	Mar
Capital position	%	%	%	%	%
Basel III – RAR	22.8	22.8	22.3	22.2	22.0
Basel III – CET1 ratio (minimum 7.0%)	20.6	20.5	20.1	20.1	20.1
Basel III – Leverage ratio (BMA minimum 5.0%)	6.2	6.5	6.4	6.4	6.9
Liquidity					
Cash and cash equivalents to total deposit liabilities	26.1	20.9	22.5	20.6	16.1
Loan-To-Deposit (LTD) ratio	32.7	35.9	34.9	34.4	37.7
Funding gap*	-61.0	-57.6	-58.4	-59.1	-55.8
Profitability					
Net interest income to interest income	89.3	90.2	89.1	88.9	88.5
Return on Assets (RoA)	0.2	0.2	0.2	0.2	0.3
RoA (annualised)	0.9	0.8	1.0	0.8	1.1
Return on Equity (RoE)	3.4	2.6	3.1	2.4	3.1
RoE (annualised)	14.3	10.9	12.8	10.0	12.8
Loan book					
Provisions to Non-Performing Loans (NPL)	27.5	29.6	27.9	28.5	28.3
NPLs to total loans	6.1	5.6	6.0	6.2	6.3
NPLs to regulatory capital	25.7	24.3	26.1	26.3	27.0
Other					
Change in Bermuda Dollar (BD\$) money supply Quarter-over-Quarter (QoQ)	0.9	1.0	0.2	0.1	2.3
Change in assets (QoQ)	4.5	-1.7	-1.8	8.6	-0.4
Change in RWAs (QoQ)	-1.9	-1.5	-1.3	0.7	0.2
Change in customer deposits (QoQ)	5.0	-1.8	-1.8	9.6	0.0

*The negative funding gap indicates that deposits exceed loans.
QoQ – percentage change from the prior quarter.

AGGREGATE BALANCE SHEET

Table II summarises key balance sheet trends in the sector.

Table II: Aggregate Balance Sheet

(BD\$ billions)	2022	2021				Change	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY
Assets						%	%
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	6.5	4.9	5.4	5.1	3.6	32.7	80.6
Loans and advances (net)	8.3	8.7	8.6	8.6	8.6	-4.6	-3.5
Investments	12.4	12.4	12.4	13.2	12.5	–	-0.8
Other assets	0.7	0.7	0.7	0.7	0.7	–	–
Total assets	28.0	26.8	27.2	27.7	25.5	4.5	9.8
Liabilities							
Saving deposits	8.1	7.9	7.3	7.6	7.8	2.5	3.8
Demand deposits	13.4	12.4	13.4	13.5	11.0	8.1	21.8
Time deposits	3.9	3.9	3.9	3.9	4.0	–	-2.5
Total deposits	25.4	24.2	24.6	25.0	22.8	5.0	11.4
Other liabilities	0.7	0.5	0.6	0.6	0.6	40.0	16.7
Total liabilities	26.1	24.7	25.2	25.6	23.4	5.7	11.5
Equity and subordinated debt	1.9	2.1	2.0	2.1	2.1	-9.5	-9.5
Total liabilities and equity	28.0	26.8	27.2	27.7	25.5	4.5	9.8

Year-on-Year (YoY) – percentage change from the prior year.

QoQ – percentage change from the prior quarter.

The banking sector's total assets rose by 4.5% (or \$1.2 billion) from the previous quarter, reflected by the increase in interbank deposits (up 32.7% or \$1.6 billion). Loans and advances were down 4.6% (or \$0.4 billion) for the quarter, while all other asset classes were unchanged over the same period.

YoY, total assets were up 9.8% (or \$2.5 billion), reflected primarily by the growth in interbank deposits (up 80.6% or \$2.9 billion); this was partially offset by the declines in loans and advances (down 3.5% or \$0.3 billion) and investments (down 0.8% or \$0.1 billion).

Total liabilities rose by 5.7% (or \$1.4 billion) to \$26.1 billion over the quarter. Customer deposits were up 5.0% (or \$1.2 billion), driven by increases in demand deposits (up 8.1% or \$1.0 billion) and savings deposits (up 2.5% or \$0.2 billion).

Total liabilities increased by 11.5% (or \$2.7 billion) compared to the first quarter of last year. The increase in customer deposits was driven by demand deposits (up 21.8% or \$2.4 billion) and savings deposits (up 3.8% or \$0.3 billion). This was partially offset by the decline in time deposits (down 2.5% or \$0.1 billion).

SUMMARY OF BALANCE SHEET RATIOS

Table III summarises balance sheet ratios measuring asset quality and capital.

Table III: Summary of Balance Sheet Ratios

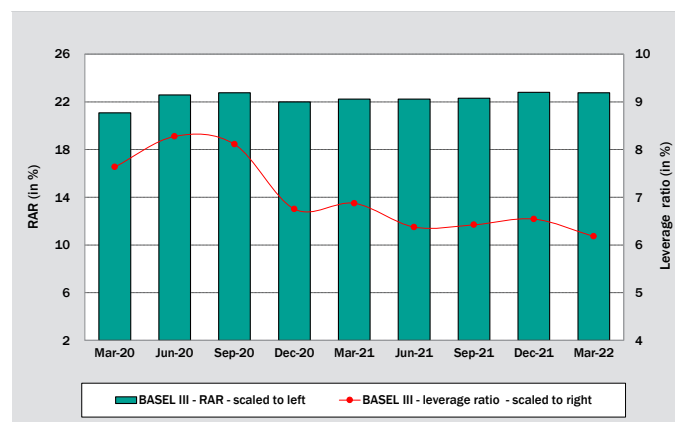
	2022	2021			
	Mar	Dec	Sep	Jun	Mar
Asset allocation	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	44.3	46.3	45.6	47.7	49.0
Loans and advances	29.6	32.5	31.6	31.0	33.7
Deposits (interbank)	23.2	18.3	19.9	18.4	14.1
Other assets	2.5	2.6	2.6	2.5	2.8
Deposits allocation					
Savings	31.9	32.6	29.7	30.4	34.2
Demand	52.8	51.3	54.4	54.0	48.3
Time	15.3	16.1	15.9	15.6	17.5
Capital position					
Basel III – CET1 ratio (minimum 7.0%)	20.6	20.5	20.1	20.1	20.1
Basel III – RAR	22.8	22.8	22.3	22.2	22.0
Basel III – Leverage ratio	6.2	6.5	6.4	6.4	6.9

CAPITAL ADEQUACY

The banking sector remains adequately capitalised, with RAR unchanged at 22.8% and CET1 up slightly to 20.6% over the quarter.

Chart I shows the RAR and leverage ratio movement over the last two years.

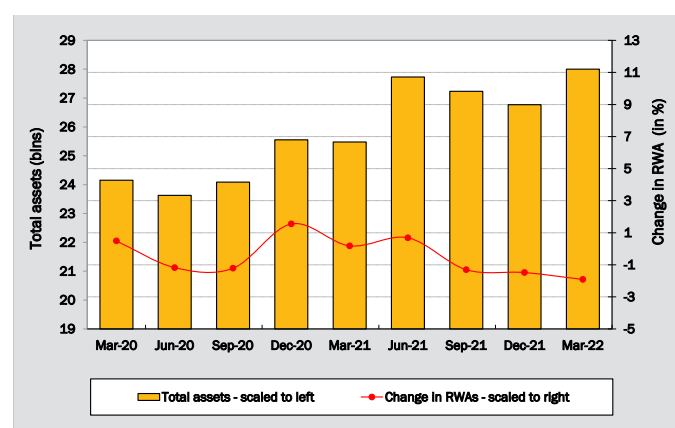
Chart I: RAR and Leverage Ratio



The leverage ratio was marginally down, falling 0.3 percentage points to 6.2% for the quarter.

Chart II reflects the movement in total assets and the change in RWAs over the past two years.

Chart II: Total Assets and Change in RWAs



ASSET QUALITY

Loan Book

Table IV is a summary of ratios measuring the composition and quality of the loan book for the last five quarters.

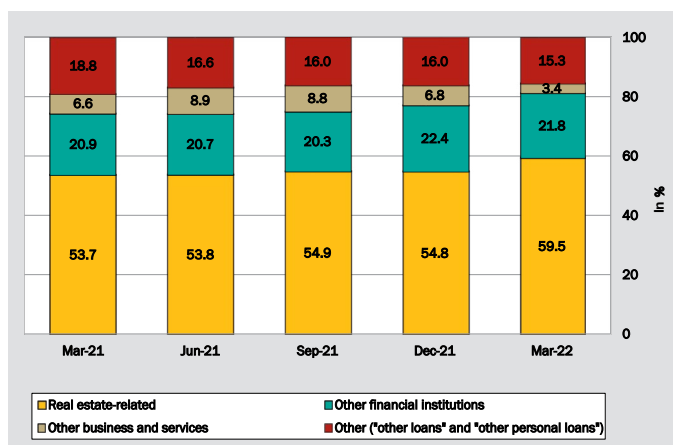
Table IV: Quality of the Loan Book

	2022	2021			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Loans and advances QoQ growth rate	-4.6	1.2	0.0	0.0	0.0
Residential mortgages to total loans	58.8	57.2	56.7	56.2	55.9
Loan impairments					
NPLs to total loans (net)	6.1	5.6	6.0	6.2	6.3
NPLs to regulatory capital	25.7	24.3	26.1	26.3	27.0
Net charge-offs to loans (annualised)	0.3	0.1	0.1	0.3	0.3
Loan provisioning					
Provisions to gross NPLs	27.4	29.0	27.9	28.5	28.3
Specific provisions to gross NPLs	26.6	26.1	25.8	26.5	27.0
Provisions to total loans (net)	2.2	2.2	2.2	2.3	2.4

SECTORAL DISTRIBUTION OF LOANS

Chart III reflects the sectoral variation of lending to the different sectors over the last five quarters.

Chart III: Sectoral Distribution of Loans and Advances

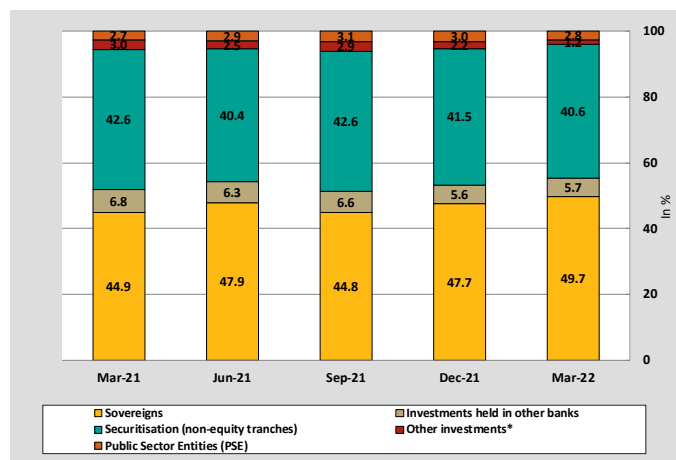


Total loans to the real estate sector increased by 4.7 percentage points to 59.5% of total outstanding loans at the end of the first quarter. The remaining sectors experienced moderate percentage declines over the same period.

INVESTMENT BOOK

Chart IV shows the structure of the aggregate investment book for the last five quarters.

Chart IV: Sectoral Structure of the Investment Book



*Includes other investments and investments in subsidiaries and associated companies.

Sovereign investments increased its percentage share by 2.0 percentage points to 49.7% of total investments held by the banking sector, while securitised (non-equity) investments declined by 0.9 percentage points to 40.6% over the quarter.

LIQUIDITY POSITION

Table V shows the liquidity condition of the banking sector over the last five quarters.

All banks met the minimum regulatory requirements for LCR and NSFR.

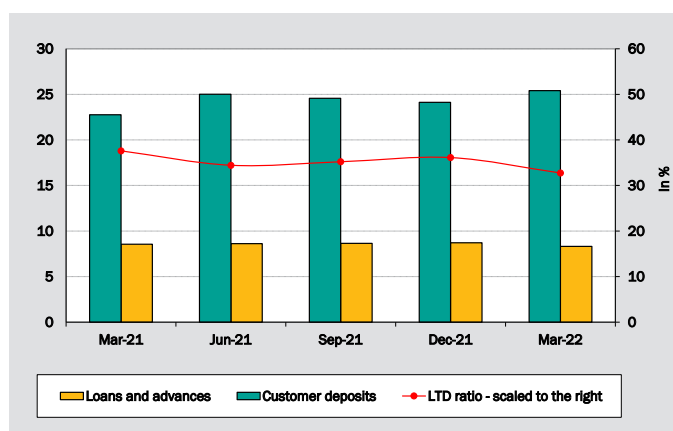
Table V: Liquidity Indicators

	2022	2021				
	Mar	Dec	Sep	Jun	Mar	
	%	%	%	%	%	
Cash and cash equivalents to total assets	23.7	18.8	20.3	18.6	14.4	
Cash and cash equivalents to total deposit liabilities	26.1	20.9	22.5	20.6	16.1	
LTD ratio	32.7	35.9	34.9	34.4	37.7	
Loans-to-total assets	29.6	32.5	31.6	31.0	33.7	
Funding gap*	-61.0	-57.6	-58.4	-59.1	-55.8	

*The difference between total loans and total deposits divided by total assets. The negative funding gap indicates a deposits surplus.

Chart V shows the change in total loans and advances, customer deposits and the consolidated LTD ratio (for both BD\$ and Foreign Currency (FX)) over the last five quarters.

Chart V: Total Loans and Deposits



The banking sector's LTD ratio fell by 3.2 percentage points to 32.7% for the quarter and 5.0 percentage points from a year ago. The quarterly decline was driven by the combined impact of lower loans and advances, which fell 4.6% (or \$0.4 billion) to \$8.3 billion and higher customer deposits, which rose by 5.0% (\$1.2 billion) to \$25.4 billion over the same period.

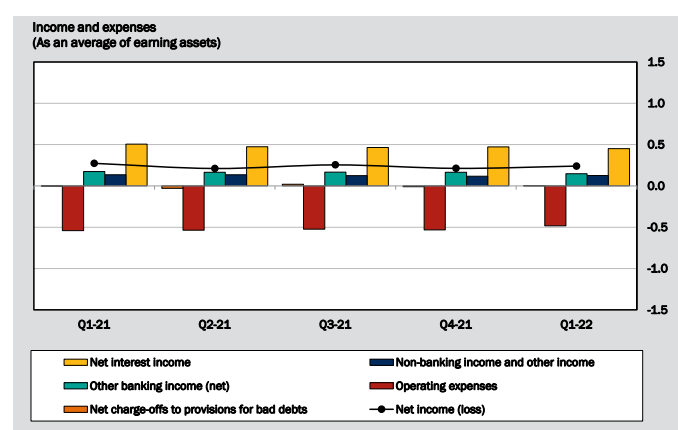
Table VI is a summary of profitability ratios for the sector for the last five quarters.

Table VI: Structure of Income Statement

	2022	2021				
	Mar	Dec	Sep	Jun	Mar	
	%	%	%	%	%	
Net interest income to total income	62.3	62.6	61.4	61.2	62.1	
Annualised net interest income to (average) earning assets	2.0	2.1	2.0	2.0	2.1	
Annualised interest income to (average) earning assets	2.3	2.3	2.3	2.3	2.4	
Banking income to total income	82.7	84.4	83.5	82.5	83.4	
Non-interest income to total income	37.7	37.4	38.6	38.8	37.9	
Non-interest expenses to total income (efficiency ratio)	66.8	71.8	66.4	72.8	66.5	
Personnel expenses to non-interest expenses	51.6	47.2	54.7	50.0	51.1	
RoA	0.2	0.2	0.2	0.2	0.3	
RoA (annualised)	0.9	0.8	1.0	0.8	1.1	
RoE	3.4	2.6	3.1	2.4	3.1	
RoE (annualised)	14.3	10.9	12.8	10.0	12.8	

Chart VI shows the trend, over the last five quarters, of income statement items as a percentage of average earning assets.

Chart VI: Income and Expenses



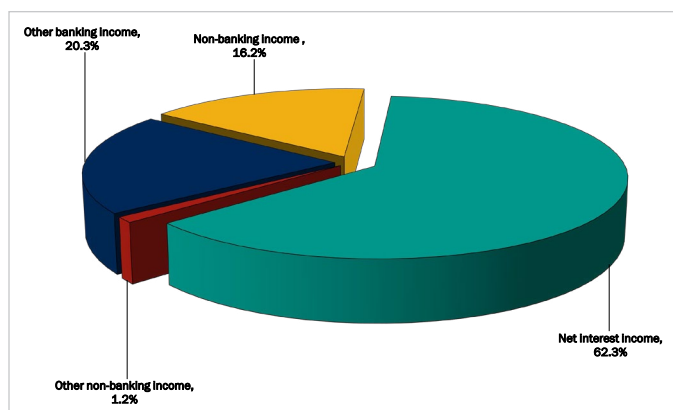
BANKING SECTOR PROFITABILITY

Net after-tax income amounted to \$63.2 million in the first quarter of 2022, an increase of 15.7% (or \$8.6 million) from the prior quarter and was down 2.5% (or \$1.6 million) from a year ago. Net interest income fell by 2.2% (or \$2.7 million) to \$120.7 million compared with the prior quarter. Non-interest income decreased by 0.9% (or \$0.7 million) to \$72.9 million. Total income totalled \$193.6 million, representing a 1.7% (or \$3.4 million) decline from the prior quarter. The total expenses amounted to \$129.4 million, a decline of 8.6% (or \$12.1 million) from the prior quarter.

The sector's efficiency improved from the prior quarter, with the ratio declining by 5.0 percentage points to 66.8%. This was due to the decline in total expenses (down 8.6%), falling at a faster rate than total income (down 1.7%).

Chart VII shows the distribution of income sources as of the end of the quarter.

Chart VII: Distribution of income sources



Charts VIII and IX show the trend in RoE and RoA over the last five quarters.

Chart VIII: Annualised RoE and RoA

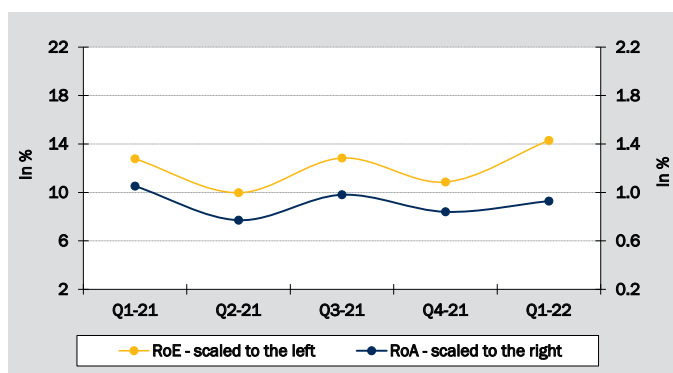


Chart IX: Quarterly RoE and RoA

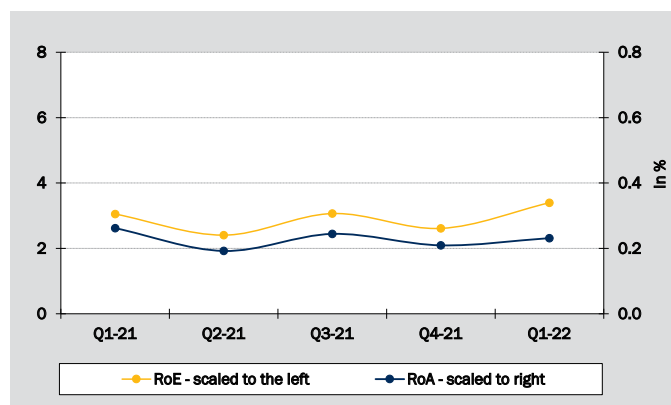
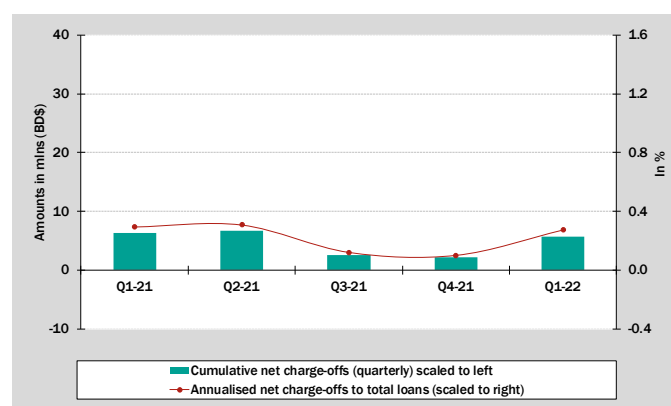


Chart X: Net Charge-off Amount and Proportion of Annualised Charge-offs to Total Loans



The net charge-offs amounted to \$5.7 million in the first quarter of 2022, down 9.5% compared to the same period last year. The proportion of annualised net charge-offs to total loans was 0.3%.

Table VII shows the aggregate FX balance sheet of the sector over the last five quarters.

Table VII: FX Balance Sheet Extract

(BD\$ billions)	2022	2021					Change (In %)	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY	
Cash	0.1	0.1	0.1	0.1	0.1	-	-	
Deposits (interbank)	6.5	4.9	5.4	5.0	3.5	32.7	85.7	
Loans and advances	5.4	5.7	5.6	5.6	5.5	-5.3	-1.8	
Investments	12.3	12.3	12.4	13.2	12.5	-	-1.6	
Other assets	0.4	0.3	0.1	0.4	0.4	33.3	-	
Total assets	24.7	23.4	23.5	24.3	22.0	5.6	12.3	
Deposit liabilities	21.4	20.2	20.6	21.1	18.9	5.9	13.2	

FX assets amounted to \$24.7 billion, up 5.6% (or \$1.3 billion) from the prior quarter.

FX customer deposit liabilities were \$21.4 billion, an increase of 5.9% (or \$1.2 billion) over the quarter and were up 13.2% (or \$2.5 billion) compared to a year ago. The increase during the quarter was driven by higher FX demand deposits, up 9.4% (or \$1.0 billion) to \$11.6 billion and FX savings deposits, up 3.2% (or \$0.2 billion) to \$6.5 billion. FX time deposits were unchanged at \$3.3 billion.

Table VIII shows the FX position for the sector for the last five quarters. Table IX shows the net FX position.

Table VIII: FX Positions

	2022	2021				
	Mar	Dec	Sep	Jun	Mar	
	%	%	%	%	%	
FX-denominated assets to total assets	88.2	87.2	86.4	87.6	86.5	
FX-denominated loans to total loans	65.1	65.9	65.2	65.1	64.7	
FX-denominated deposits to total deposits	84.3	83.6	84.0	84.3	82.8	
Changes in FX assets	5.6	-0.4	-3.3	10.2	-0.2	
Changes in FX loans and advances	-5.3	1.8	0.0	1.8	-0.8	
Changes in FX customer deposits	5.9	-1.9	-2.4	11.6	-0.8	

Table IX: Net FX Positions

(BD\$ billions)	2022	2021				
	Mar	Dec	Sep	Jun	Mar	
Total FX assets	24.7	23.4	23.5	24.3	22.0	
Less: other assets	0.4	0.3	0.1	0.4	0.4	
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9	
Adjusted FX assets	23.4	22.2	22.5	23.0	20.7	
FX liabilities*	21.8	20.4	20.9	21.3	19.1	
Add: BD\$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1	
Adjusted FX liabilities	21.9	20.5	21.0	21.4	19.2	
Net FX position	1.5	1.7	1.5	1.6	1.5	

*Adjusted FX liabilities include FX customer deposits and other FX liabilities.

Table X is a summary of ratios measuring the liquidity of the FX balance sheets for the last five quarters.

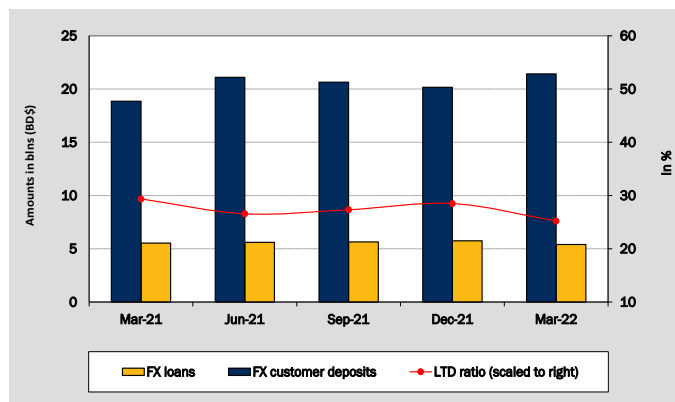
Table X: Liquidity Indicators (FX Positions)

	2022	2021				
	Mar	Dec	Sep	Jun	Mar	
	%	%	%	%	%	
Cash and cash equivalents to total assets	26.7	21.2	23.1	20.9	16.3	
Cash and cash equivalents to total deposit liabilities	30.8	24.5	26.3	24.1	19.1	
LTD ratio	25.2	28.2	27.2	26.5	29.1	
Loans to total assets	21.9	24.3	23.8	23.0	25.0	
Funding gap*	-65.0	-61.8	-63.7	-63.8	-60.5	

*A negative funding gap indicates a deposit surplus.

Chart XI shows the trends of FX-denominated loans and customer deposits and the ratio of FX-denominated loans to customer deposits for the last five quarters.

Chart XI: FX Loans and Customer Deposits



The FX loans to customer deposit ratio fell by 3.0 percentage points to 25.2% for the year's first quarter. During the quarter, FX loans and advances fell by 5.3% (or \$0.3 billion) to \$5.4 billion compared to the rise in FX customer deposits, up 5.9% (or \$1.2 billion) to \$21.4 billion.

BD\$ BALANCE SHEET

Table XI shows the aggregate BD\$ balance sheet of the sector over the last five quarters.

Table XI: BD\$ Balance Sheet Extract (Unconsolidated)

(BD\$ billions)	2022	2021				Change (In %)	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY
Loans and advances	3.0	3.1	3.1	3.1	3.1	-3.2	-3.2
Total assets	3.7	3.9	3.9	3.9	3.9	-5.1	-5.1
Deposit liabilities	4.0	4.0	3.9	3.9	3.9	-	2.6

Note: The BD\$-denominated balance sheet of the sector aggregates data submitted on legal entity reporting basis.

Table XII is a summary of ratios measuring the liquidity of the BD\$-denominated balance sheet over the last five quarters.

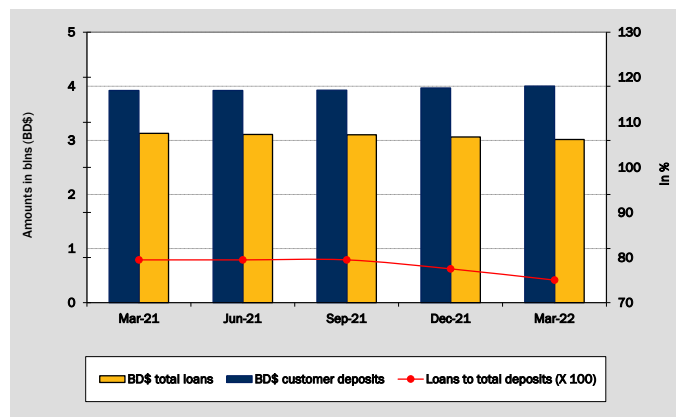
Table XII: Liquidity Indicators (BD\$ Positions)

	2022	2021			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Cash and cash equivalents to total assets	2.1	2.6	2.2	1.9	1.9
Cash and cash equivalents to total deposit liabilities	1.9	2.5	2.2	1.9	1.9
LTD ratio	75.0	77.5	79.5	79.5	79.5
Loans to total assets	81.1	79.5	79.5	79.5	79.5
Funding gap*	-27.0	-23.3	-21.1	-20.7	-20.2

**A negative funding gap indicates a deposit surplus.*

Chart XII shows the trends of BD\$-denominated loans and customer deposits, along with the ratio of BD\$-denominated loans to customer deposits over the last five quarters.

Chart XII: BD\$ Loans and Customer Deposits



The BD\$ LTD ratio continued to fall, down 2.5 percentage points to 75.0% for the quarter and down 4.5 percentage points from a year ago. For the quarter, domestic lending fell by 3.2% to \$3.0 billion, while deposit liabilities remained unchanged at 4.0 billion.

MONETARY AGGREGATES

Table XIII shows the trend in domestic money supply over the last five quarters.

Table XIII: Bermuda Money Supply (Unconsolidated)

(BD\$ millions)	2022	2021			
	Mar	Dec	Sep	Jun	Mar
Notes and coins in circulation	187	201	194	182	170
Deposit liabilities	4,004	3,970	3,929	3,923	3,921
Banks and deposit companies	4,191	4,171	4,123	4,105	4,091
Less: cash at banks and deposit companies	60	76	69	59	48
BD\$ money supply	4,131	4,095	4,054	4,046	4,043
% Growth on previous period	0.9	1.0	0.2	0.1	2.3
% Growth YoY	2.2	3.6	5.7	8.8	11.5

The table includes the supply of BD\$ only for this section.

SELECTED INTERNATIONAL BANKING DEVELOPMENTS

This section lists important publications issued during the quarter by international organisations and national supervisory authorities. The listing does not reflect endorsement by the BMA.

Bank of England (BoE)

In March, the BoE published a paper which sets out the Financial Policy Committee's (FPC) view on specific topics, such as the role of cryptoassets and decentralised finance in the financial system, financial stability implications of cryptoassets and associated markets, and risks to financial stability.

<https://www.bankofengland.co.uk/-/media/boe/files/financial-stability-in-focus/2022/cryptoassets-and-decentralised-finance.pdf>

European Central Bank (ECB)

In March, the ECB published its report on banks' progress towards transparent disclosure of their climate-related and environmental risk profiles.

https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.ECB_Report_on_climate_and_environmental_disclosures_202203~4ae33f2a70.en.pdf

European Banking Authority (EBA)

In January, the EBA published the final guidelines for institutions and resolution authorities on improving banks' resolvability.

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2022/EBA-GL-2022-01%20Guidelines%20on%20resolvability/1025905/Final%20Report%20on%20Guidelines%20on%20improving%20resolvability%20for%20institutions%20and%20resolution%20authorities.pdf

European Systemic Risk Board (ESRB)

In March, the ESRB published a concept note on proposed enhancements to the existing European Union macroprudential framework for the banking sector for the next decade.

https://www.esrb.europa.eu/pub/pdf/reports/esrb_reviewmacropruframework.220331~65e86a81aa.en.pdf

European Supervisory Authorities (ESA)

In March, the ESA published a warning to consumers that many cryptoassets are highly risky and speculative.

https://www.esma.europa.eu/sites/default/files/library/esa_2022_15_joint_esas_warning_on_crypto-assets.pdf

Financial Stability Board (FSB)

In February, the FSB published its report that examines developments and associated vulnerabilities relating to three segments of cryptoasset markets: unbacked cryptoassets, stablecoins, and decentralised finance and cryptoasset trading platforms.

<https://www.fsb.org/wp-content/uploads/P160222.pdf>

GLOSSARY

Annualised is expressing a quantity, (such as an interest rate, profit or expenditure) as if it applied or were measured over a year.

Basel Committee on Banking Supervision (BCBS) is the primary global standard-setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters.

Capital Conservation Buffer (CCB) is designed to ensure that banks build up and retain capital buffers outside of periods of stress, which can be drawn down in exceptional circumstances if severe losses are incurred.

Common Equity Tier 1 (CET1) capital is the primary and predominant form of regulatory capital and will be used as the primary capital adequacy measure for all Bermuda banks under Basel III.

CET1 ratio measures a bank's primary core equity capital compared with its total RWAs. The measurement is used to determine the financial strength of a bank.

Domestic Systemically Important Banks (D-SIB) are banks that are deemed to be systemically important to the local economy.

Earning assets include deposits with other financial institutions, loans, advances and leases, and investments.

Efficiency ratio measures the ability of banks to convert resources into revenue. The metric is expressed as a percentage of expenses to revenue.

Equity refers to shareholder equity.

Fees and commissions consist of net income from banking fees, charges and commissions, investment management fees, trust and company administration fees, trustee and custodian fees, and fund management fees.

Foreign Currency (FX) is any currency other than the Bermuda Dollar.

Funding gap is defined by the difference between total loans and total deposits divided by total assets.

General provisions are provisions not attributed to specific assets but to the amount of expected losses that experience suggests may be in a portfolio of loans.

Interest income to earning assets is computed by dividing the annualised interest received and receivable by the average total earning assets.

Interest income is interest earned consisting of interest from deposits with financial institutions, government securities, loans and other interest-earning assets.

Leverage ratio is the ratio of Tier 1 capital (including Additional Tier 1 (AT1) capital) to total exposure (on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items) as calculated per the BMA's final Basel rule.

Liquidity Coverage Ratio (LCR) is a calculated measure of banks' stock of unencumbered high-quality liquid assets that can be converted easily and quickly into cash to meet their liquidity needs over a 30 calendar day liquidity stress scenario period.

Mortgages refer to financing to purchase real estate/residential property.

Mortgages on residential property to total loans refer to mortgages secured by residential properties consisting of homes, apartments, townhouses and condominiums as a percentage of total loans.

Net charge-offs for loan losses and impaired loans is the sum of general and specific loss charge for doubtful debts (net of recoveries) and transfers made to a loan loss provision liability account.

Net Stable Funding Ratio (NSFR) is the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis.

Net income after tax is the profit after all taxes and expenses have been deducted.

Net interest income is calculated as interest earned less interest expense.

Non-interest income includes all other income earned by the bank, including fees and commissions from the provision of services, gains and losses on financial instruments, and other income.

Non-interest expenses cover all expenses other than interest expenses, including fees and commissions.

Non-Performing Loans (NPL) consist of those loans classified as substandard, doubtful and loss as per the BMA's guidance on the completion of the Prudential Information Return for banks. A loan is classified as substandard when the delay in repayment is between 31 and 90 days, as doubtful when the delay is between 91 and 180 days and as loss when the delay exceeds 180 days.

Other income consists of changes in the book value of investments, other non-banking services income, profit or loss on fixed assets and any other income that cannot be classified into any other specific income line item.

Other operating expenses consist of services by external service providers and does not include main business operations.

Provisions include both specific and general provisions.

Provisions to NPLs is the ratio that shows the extent to which non-performing loans are already covered by provisions.

Real estate is used to refer to lending to real estate operators and owners and lessors of real property, as well as buyers, sellers, developers, agents and brokers.

Regulatory capital, as provided by the banks in their quarterly Prudential Information Returns, is the sum of CET1, AT1 and Tier 2 capital net of applicable regulatory adjustments.

Return on Assets (RoA) is calculated by dividing the net income over the quarter by the value of interest-earning assets over the same period.

RoA (Annualised) is calculated by dividing the net income over the quarter by the value of interest-earning assets over the same period converted into an annual rate.

Return on Equity (RoE) is calculated by dividing the net income over the quarter by the value of shareholder equity over the same period.

RoE (Annualised) is calculated by dividing the net income over the quarter by the value of shareholder equity over the same period converted into an annual rate.

Risk Asset Ratio (RAR) is calculated as total regulatory capital divided by total RWAs.

Risk-Weighted Assets (RWA) refers to a concept developed by the BCBS for the capital adequacy ratio. Assets are weighted by factors representing their riskiness and potential for default.

Specific provisions are the outstanding amount of provisions made against the value of individual loans, collectively assessed groups of loans and loans to other deposit takers.

Tier 1 capital consists of CET1 plus AT1 net of regulatory adjustments.

Total income is the sum of net interest income and non-interest income.

Total loans include loans, advances, bills and finance leases.

Total Risk-Weighted Assets (TRWA) is the sum of total credit RWAs, total operational risk-adjusted RWAs and the total market risk-adjusted RWAs.

Note: Please refer to the *Guidance on Completion of the Prudential Information Return for Banks* for a detailed description of the individual components of specific line items. A copy of the *Guidance* is available for download on the Authority's website (www.bma.bm).