BMA
BERMUDA MONETARY AUTHORITY

Quarterly Banking Digest

Q3-2022

BASEL III REQUIREMENTS

- All banks are required to meet the 100% minimum requirement for the 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 above the minimum capital requirements and buffers. At the end of the third quarter of 2022, the Risk Asset Ratio (RAR) and CET1 were 23.5% and 21.2%, respectively, both slightly higher than the previous quarter and the highest recorded in 2022. The leverage ratio continues improving, rising to 6.7%, the highest recorded in 2022.
- Total assets declined further during the quarter, down by $1.2 billion or 4.5% to $25.5 billion, corresponding to the $1.2 billion decline in customer deposits. This asset decrease is reflected in the decreases in investment balances and deposits with other financial institutions but partially offset by the increase in loans and advances.
- Sector earnings remained positive as the sector reported quarterly net after-tax income of $97.9 million, representing a 13.5% increase over the prior quarter. The growth in banking sector profits was largely due to higher net interest income for the quarter spurred by the rising rate environment.
- The loan book quality continued to improve, as measured by the Non-Performing Loans (NPL) to total loans ratio, which fell to 5.3% at the end of the third quarter of 2022 from 5.9% at the beginning of the 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	
	Sep	Jun	Mar	Dec	Sep
Capital position	%	%	%	%	%
Basel III – RAR	23.5	22.5	22.8	22.8	22.3
Basel III – CET1 ratio (minimum 7.0%)	21.2	20.3	20.6	20.5	20.1
Basel III – Leverage ratio (BMA minimum 5.0%)	6.7	6.3	6.2	6.5	6.4
Liquidity					
Cash and cash equivalents to total deposit liabilities	14.5	18.2	26.1	20.9	22.5
Loan-To-Deposit (LTD) ratio	38.7	35.1	32.7	35.9	34.9
Funding gap*	-55.3	-58.8	-61.0	-57.6	-58.4
Profitability					
Net interest income to interest income	91.8	90.7	89.3	90.2	89.1
Return on Assets (RoA)	0.4	0.3	0.2	0.2	0.2
RoA (annualised)	1.6	1.3	0.9	0.8	1.0
Return on Equity (RoE)	5.8	4.9	3.4	2.6	3.1
RoE (annualised)	25.4	21.2	14.3	10.9	12.8
Loan book					
Provisions to NPLs	26.8	26.8	27.5	29.6	27.9
NPLs to total loans	5.3	5.9	6.1	5.6	6.0
NPLs to regulatory capital	23.9	26.0	25.7	24.3	26.1
Other					
Change in Bermuda Dollar (BD$) money supply Quarter-over-Quarter (QoQ)	-1.8	-0.3	0.9	1.0	0.2
Change in assets (QoQ)	-4.5	-4.6	4.5	-1.7	-1.8
Change in RWAs (QoQ)	-2.1	-1.3	-1.9	-1.5	-1.3
Change in customer deposits (QoQ)	-5.0	-4.7	5.0	-1.8	-1.8

**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 banking sector.

Table II: Aggregate Balance Sheet

(BD$ billions)	2022			2021		Change	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Assets						%	%
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	3.2	4.3	6.5	4.9	5.4	-25.6	-40.7
Loans and advances (net)	8.9	8.5	8.3	8.7	8.6	4.7	3.5
Investments	12.5	13.1	12.4	12.4	12.4	-4.6	0.8
Other assets	0.8	0.7	0.7	0.7	0.7	14.3	14.3
Total assets	**25.5**	**26.7**	**28.0**	**26.8**	**27.2**	**-4.5**	**-6.3**
Liabilities							
Savings deposits	7.4	8.0	8.1	7.9	7.3	-7.5	1.4
Demand deposits	11.8	12.4	13.4	12.4	13.4	-4.8	-11.9
Time deposits	3.8	3.8	3.9	3.9	3.9	–	-2.6
Total deposits	**23.0**	**24.2**	**25.4**	**24.2**	**24.6**	**-5.0**	**-6.5**
Other liabilities	0.8	0.7	0.7	0.5	0.6	14.3	33.3
Total liabilities	**23.8**	**24.9**	**26.1**	**24.7**	**25.2**	**-4.4**	**-5.6**
Equity and subordinated debt	1.7	1.8	1.9	2.1	2.0	-5.6	-15.0
Total liabilities and equity	**25.5**	**26.7**	**28.0**	**26.8**	**27.2**	**-4.5**	**-6.3**

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

Banking sector assets fell by 4.5% (or $1.2 billion) from the previous quarter. This is reflected in the decreases in interbank deposits (down 25.6% or $1.1 billion) and investments (down 4.6% or $0.6 billion) and partially offset by increases in other assets (up 14.3% or $0.1 billion) and loans and advances (up 4.7% or $0.4 billion).

YoY, total assets fell by 6.3% (or $1.7 billion) due to a decline in interbank deposits (down 40.7% or $2.2 billion), which was partly offset by growth in loans and advances, investments, and other assets over the same period.

Total liabilities fell by 4.4% (or $1.1 billion) from the previous quarter mainly driven by the $1.2 billion decline in customer deposits.

YoY, total liabilities decreased by 5.6% (or $1.4 billion) mainly due to the decline in demand deposits (down 11.9% or $1.6 billion). Other liabilities displayed minimal movement.

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	
	Sep	Jun	Mar	Dec	Sep
Asset allocation	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	49.0	49.1	44.3	46.3	45.6
Loans and advances	34.9	31.8	29.6	32.5	31.6
Deposits (interbank)	12.5	16.1	23.2	18.3	19.9
Other assets	3.1	2.6	2.5	2.6	2.6
Deposits allocation					
Savings	32.2	33.1	31.9	32.6	29.7
Demand	51.3	51.2	52.8	51.3	54.4
Time	16.5	15.7	15.3	16.1	15.9
Capital position					
Basel III – CET1 ratio (minimum 7.0%)	21.2	20.3	20.6	20.5	20.1
Basel III – RAR	23.5	22.5	22.8	22.8	22.3
Basel III – Leverage ratio	6.7	6.3	6.2	6.5	6.4

CAPITAL ADEQUACY

Capital ratios were above the minimum capital requirements. The RAR increased by one percentage point to 23.5% and the CET1 ratio was up 0.9 percentage points to 21.2% in the third quarter. RWAs fell at a rate of 2.1%.

The leverage position of the banking sector remained stable. The sector's leverage ratio at the end of the third quarter of 2022 was 6.7%, the highest recorded in 2022.

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

Chart I: RAR and Leverage Ratio

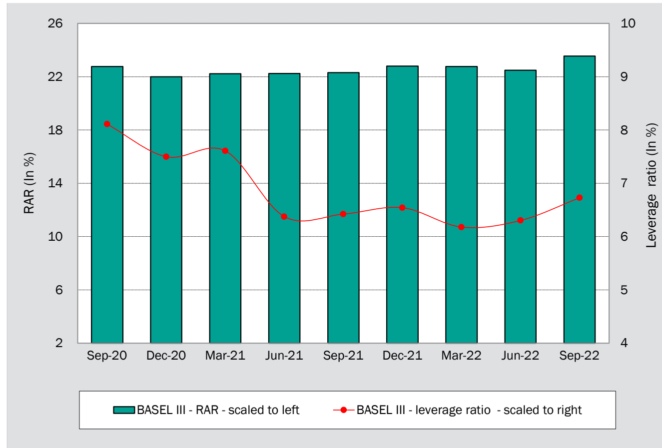
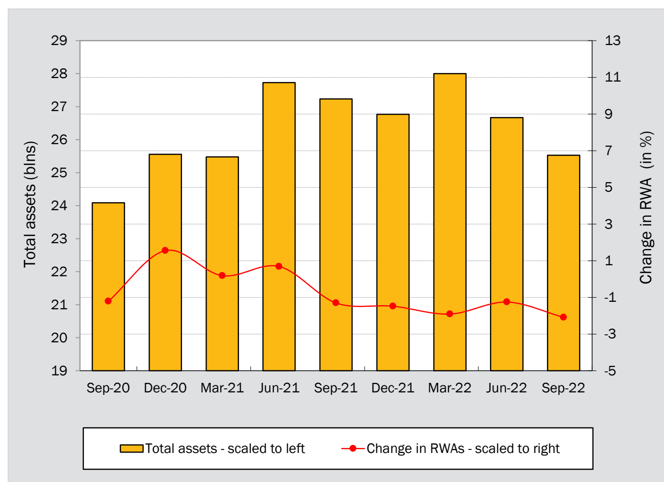


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

Chart II: Total Assets and Change in RWAs



ASSET QUALITY

Loan Book

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

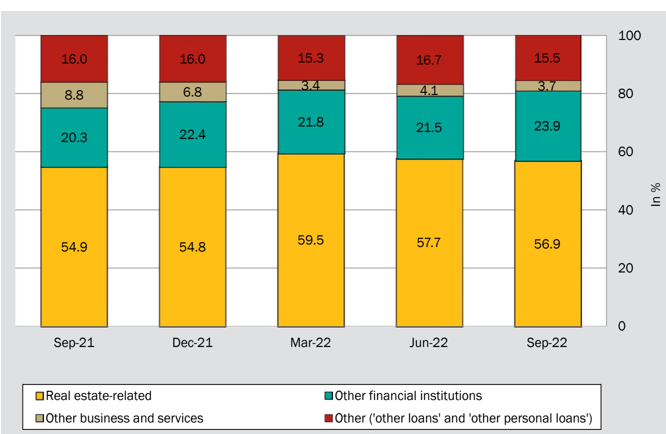
Table IV: Quality of the Loan Book

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Loans and advances QoQ growth rate	4.7	2.4	-4.6	1.2	0.0
Residential mortgages to total loans	53.5	57.1	58.8	57.2	56.7
Loan impairments					
NPLs to total loans (net)	5.3	5.9	6.1	5.6	6.0
NPLs to regulatory capital	23.9	26.0	25.7	24.3	26.1
Net charge-offs to loans (annualised)	0.2	0.3	0.3	0.1	0.1
Loan provisioning					
Provisions to gross NPLs	26.8	26.8	27.4	29.0	27.9
Specific provisions to gross NPLs	25.0	25.5	26.6	26.1	25.8
Provisions to total loans (net)	1.8	2.0	2.2	2.2	2.2

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

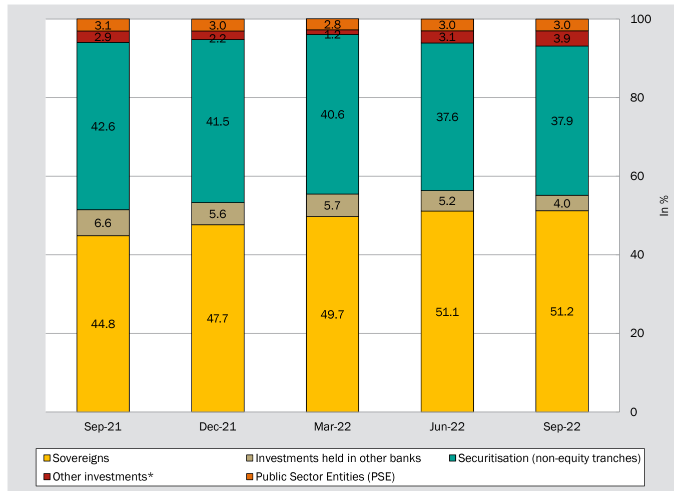


Total loans and advances stood at $8.9 billion at the end of the third quarter, with loans to the real estate sector representing 56.9% of total loans outstanding. Loans to other financial institutions experienced growth during the quarter, up 2.4 percentage points to 23.9%, while the proportion of loans to the remaining sectors declined marginally 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.*

LIQUIDITY POSITION

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

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

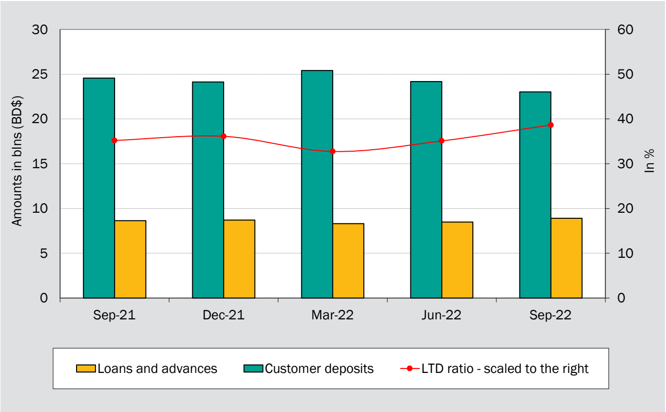
Table V: Liquidity Indicators

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	13.1	16.5	23.7	18.8	20.3
Cash and cash equivalents to total deposit liabilities	14.5	18.2	26.1	20.9	22.5
LTD ratio	38.7	35.1	32.7	35.9	34.9
Loans-to-total assets	34.9	31.8	29.6	32.5	31.6
Funding gap*	-55.3	-58.8	-61.0	-57.6	-58.4

**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 continued to trend upward in 2022, rising by 3.1 percentage points QoQ and 3.8 percentage points YoY to close at 34.9% at the end of the third quarter. The QoQ increase was driven by the rise in loans and advances, up 4.7% (or $0.4 billion) to $8.9 billion, while customer deposits fell by 5.0% (or $1.2 billion) to $23.0 billion over the same quarter.

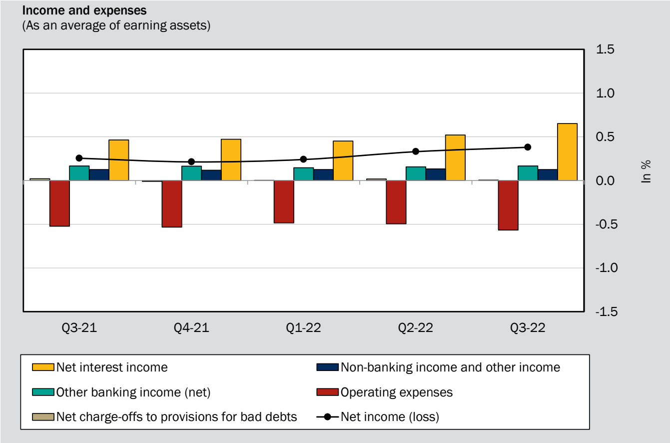
Table VI is a summary of profitability ratios for the sector for the last five quarters.

Table VI: Structure of Income Statement

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Net interest income to total income	69.0	64.4	62.3	62.6	61.4
Annualised net interest income to (average) earning assets	2.8	2.3	2.0	2.1	2.0
Annualised interest income to (average) earning assets	3.0	2.5	2.3	2.3	2.3
Banking income to total income	86.7	83.6	82.7	84.4	83.5
Non-interest income to total income	31.0	35.6	37.7	37.4	38.6
Non-interest expenses to total income (efficiency ratio)	59.7	59.1	66.8	71.8	66.4
Personnel expenses to non-interest expenses	45.6	54.2	51.6	47.2	54.7
RoA	0.4	0.3	0.2	0.2	0.2
RoA (annualised)	1.6	1.3	0.9	0.8	1.0
RoE	5.8	4.9	3.4	2.6	3.1
RoE (annualised)	25.4	21.2	14.3	10.9	12.8

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

Chart VI: Income and Expenses



BANKING SECTOR PROFITABILITY

The sector's net after-tax income for the third quarter of 2022 totalled $97.9 million, an increase of 13.5% (or $11.7 million) from the prior quarter. Growth in banking income was driven by the increase in net interest income, which was $169.5 million, representing a 23.1% or $31.8 million increase compared with the prior quarter.

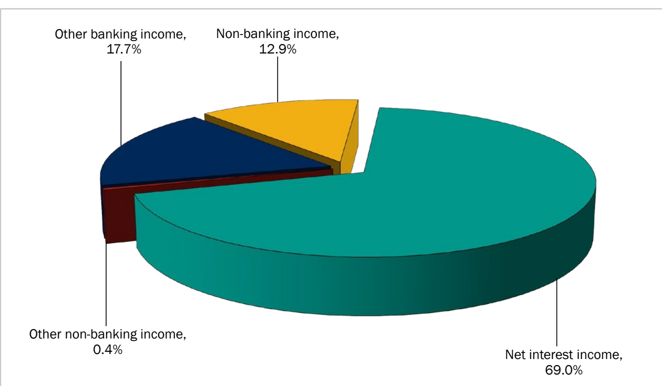
Non-interest income was $76.0 million, unchanged from the prior quarter. Total income amounted to $245.5 million, representing a 14.8% (or $31.7 million) increase over the prior quarter.

Total expenses for the quarter totalled $146.6 million, an increase of 15.9% (or $20.1 million) compared to the prior quarter, and the charge for expected credit losses was a net expense of $1 million.

The sector's efficiency ratio remained stable, increasing by 0.6 percentage points to 59.7% over the prior quarter.

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

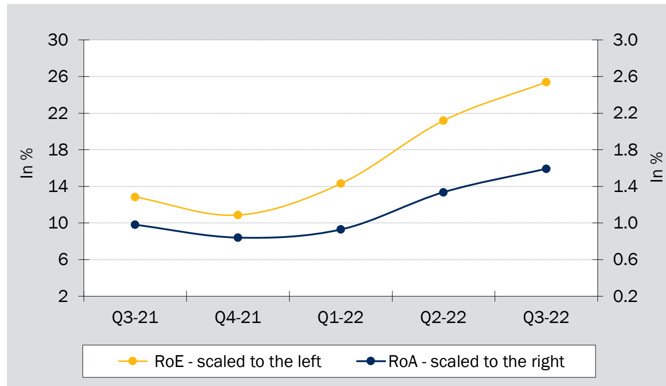


Chart IX: Quarterly RoE and RoA

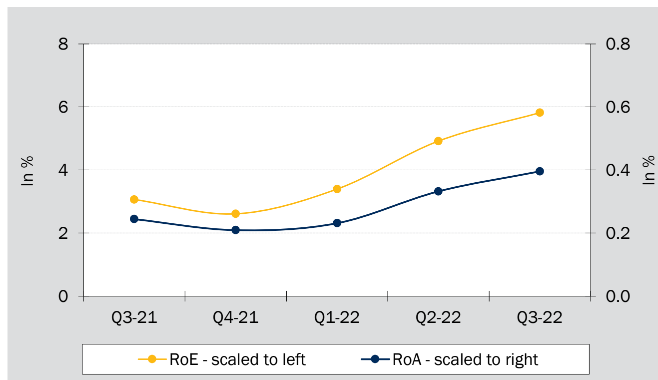
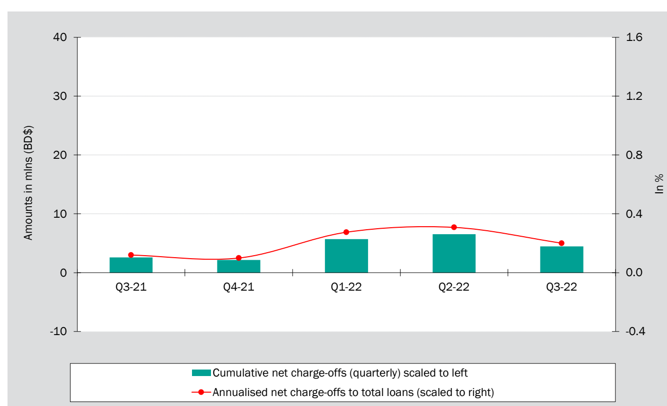


Chart X: Net Charge-off Amount and Proportion of Annualised Charge-offs to Total Loans



The quarterly net charge-offs for uncollectible loans amounted to $4.5 million, down 30.8% (or $2.0 million) from the prior quarter and higher than the $2.6 million reported a year earlier. The ratio of annualised net charge-offs to total loans was 0.2% at the end of the quarter.

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 %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	3.2	4.2	6.5	4.9	5.4	-23.8	-40.7
Loans and advances	6.0	5.6	5.4	5.7	5.6	7.1	7.1
Investments	12.5	13.0	12.3	12.3	12.4	-3.8	0.8
Other assets	0.4	0.4	0.4	0.3	0.1	–	300.0
Total assets	22.2	23.3	24.7	23.4	23.5	-4.7	-5.5
Deposit liabilities	19.1	20.1	21.4	20.2	20.6	-5.0	-7.3

FX assets amounted to $22.2 billion, a 4.7% (or $1.1 billion) decrease from the previous quarter.

FX customer deposit liabilities amounted to $19.1 billion, a decline of 5.0% (or $1.0 billion) from the previous quarter and down 7.3% (or $1.5 billion) compared to a year ago. The QoQ decline was driven by decreases in FX savings deposits (down 6.3% or $0.4 billion) to $5.9 billion and demand deposits (down 5.7% or $0.6 billion) to $10.0 billion. FX time deposits remained unchanged at $3.2 billion.

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

Table VIII: FX Positions

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
FX-denominated assets to total assets	87.1	87.3	88.2	87.2	86.4
FX-denominated loans to total loans	67.4	65.9	65.1	65.9	65.2
FX-denominated deposits to total deposits	83.0	83.1	84.3	83.6	84.0
Changes in FX assets	-4.7	-5.7	5.6	-0.4	-3.3
Changes in FX loans and advances	7.1	3.7	-5.3	1.8	0.0
Changes in FX customer deposits	-5.0	-6.1	5.9	-1.9	-2.4

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

Table IX: Net FX Positions

(BD$ billions)	2022			2021	
	Sep	Jun	Mar	Dec	Sep
Total FX assets	22.2	23.3	24.7	23.4	23.5
Less: other assets	0.4	0.4	0.4	0.3	0.1
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9
Adjusted FX assets	20.9	22.0	23.4	22.2	22.5
FX liabilities*	19.6	20.6	21.8	20.4	20.9
Add: BD$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	19.7	20.7	21.9	20.5	21.0
Net FX position	1.2	1.3	1.5	1.7	1.5

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

Table X summarises ratios measuring the liquidity of the FX balance sheets for the last five quarters.

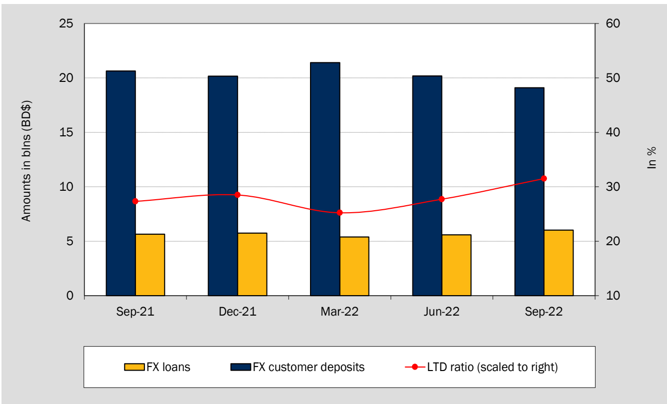
Table X: Liquidity Indicators (FX Positions)

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	14.9	18.5	26.7	21.2	23.1
Cash and cash equivalents to total deposit liabilities	17.3	21.4	30.8	24.5	26.3
LTD ratio	31.4	27.9	25.2	28.2	27.2
Loans to total assets	27.0	24.0	21.9	24.3	23.8
Funding gap*	-59.0	-62.6	-65.0	-61.8	-63.7

**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 increased by 3.5 percentage points to 31.4% during the quarter. FX loans and advances grew by 7.1% to $6.0 billion compared with FX customer deposits, down 5.0% to $19.1 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 %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Loans and advances	3.0	3.0	3.0	3.1	3.1	–	-3.2
Total assets	3.6	3.7	3.7	3.9	3.9	-2.7	-7.7
Deposit liabilities	3.9	4.0	4.0	4.0	3.9	-2.5	–

Note: The BD$-denominated balance sheet of the sector aggregates the data submitted by legal entities.

Table XII summarises ratios measuring the liquidity of the BD$-denominated balance sheet over the last five quarters.

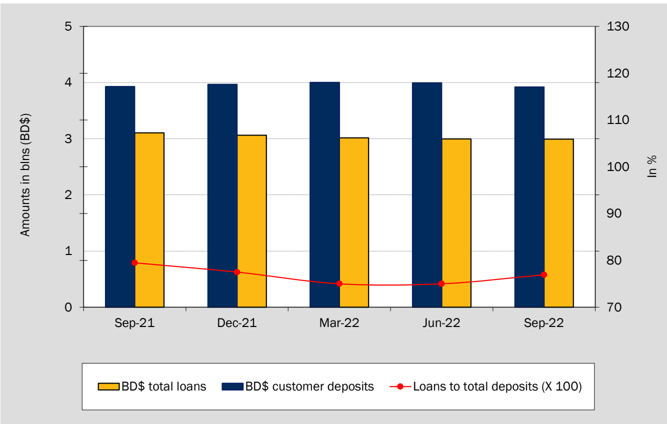
Table XII: Liquidity Indicators (BD$ Positions)

	2022			2021	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	2.4	2.4	2.1	2.6	2.2
Cash and cash equivalents to total deposit liabilities	2.2	2.2	1.9	2.5	2.2
LTD ratio	76.9	75.0	75.0	77.5	79.5
Loans to total assets	83.3	81.4	81.1	79.5	79.5
Funding gap*	-25.6	-27.0	-27.0	-23.3	-21.1

**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 domestic LTD ratio rose by 1.9 percentage points to 76.9%. The increase was due to lower customer deposits, down 2.5% to $3.9 billion from the previous quarter, while loans and advances remained even at $3.0 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	
	Sep	Jun	Mar	Dec	Sep
Notes and coins in circulation	188	190	187	201	194
Deposit liabilities	3,922	3,996	4,004	3,970	3,929
Banks and deposit companies	4,110	4,186	4,191	4,171	4,123
Less: cash at banks and deposit companies	66	66	60	76	69
BD$ money supply	4,044	4,120	4,131	4,095	4,054
% Growth on previous period	-1.8	-0.3	0.9	1.0	0.2
% Growth YoY	-0.2	1.8	2.2	3.6	5.7

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 Bermuda Monetary Authority (Authority or BMA).

Basel Committee on Banking Supervision (BCBS)

In September, the BCBS published its Basel III Monitoring Report. This report summarises the aggregate results using data as of 31 December 2021. The report also includes special features on banks' exposures to crypto assets.

https://www.bis.org/bcbs/publ/d541.pdf

In July, the BCBS and the World Bank published a report on a joint global survey that focussed on proportionality in bank regulation and supervision.

https://www.bis.org/bcbs/publ/d523.pdf

Bank for International Settlements (BIS)

In September, the BIS published a paper that presents the results of a survey among members of the Global Cyber Resilience Group on cyber risk and its challenges for central banks.

https://www.bis.org/publ/work1039.pdf

Committee on Payments and Market Infrastructures (CPMI)

In September, the CPMI released its report that sets out an analytical framework for central banks wishing to establish one or more liquidity bridges.

https://www.bis.org/cpmi/publ/d209.pdf

European Central Bank (ECB)

In September, the ECB published its paper that links interbank liability and equity markets (financial exposure) and mergers and acquisitions in the European banking sector, both at the micro and macro level.

https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2724~5d4b022ddb.en.pdf?4974e2b4b22b3428eb3e567aef0aada7

In July, the ECB published its paper on voluntary support and ring-fencing in cross-border banks.

https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2688~7347dc11ae.en.pdf

Financial Stability Board (FSB)

In July, the FSB published its statement on international regulation and supervision of crypto-asset activities, which outlines work being undertaken by the FSB and international standard-setting bodies to address the potential financial stability risks posed by crypto-assets.

https://www.fsb.org/wp-content/uploads/P110722.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 NPLs 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).*

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