BERMUDA MONETARY AUTHORITY

Quarterly Banking Digest

Q3-2023

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 (RWAs), 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

- As reported by banks, the banking sector's assets increased by 1.3% to $24.2 billion during the quarter and were down 5.1% year-on-year. The quarter-on-quarter growth is reflected in the $0.8 billion (or 33.3%) increase in interbank deposits, partly offset by decreases in loans and advances ($0.3 billion) and investments ($0.4 billion). The year-on-year decline is reflected in the declines of loans and advances and investments, as highlighted in Table II. These declines were partially offset by an increase in other assets.
- Net profit for the quarter declined by 13.0% when compared to the prior quarter. This was mainly due to the combined impact of lower total income and higher operating expenses. Total income fell by 2.0%, while total expenses rose by 10.7% quarter-on-quarter.
- Net profit for the year increased by 32.9% when compared to September 2022, mainly due to the combined impact of higher total income and lower operating expenses. Total income rose by 11.6%, while total expenses fell by 2.1% year-on-year.
- The percentage of non-performing loans to total loans was 5.3% and was unchanged from both the prior quarter and a year ago.

SUMMARY INDICATORS

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

Table I: Selected Financial Soundness Indicators

Ratios	2023			2022	
	Sep	Jun	Mar	Dec	Sep
Capital position	%	%	%	%	%
Basel III – RAR	25.7	25.5	26.3	24.7	23.5
Basel III – CET1 ratio (minimum 7.0%)	24.2	24.1	24.0	22.4	21.2
Basel III – Leverage ratio (BMA minimum 5.0%)	7.9	8.0	7.8	7.1	6.7
Liquidity					
Cash and cash equivalents to total deposit liabilities	15.3	11.8	13.3	18.0	14.5
Loan-To-Deposit (LTD) ratio	39.5	41.5	41.3	38.4	38.7
Funding gap*	-53.7	-51.9	-52.7	-55.7	-55.3
Profitability					
Net interest income to interest income	76.6	79.6	82.3	85.4	91.8
Return on Assets (RoA)	0.6	0.7	0.7	0.5	0.4
RoA (annualised)	2.3	2.6	2.6	2.2	1.6
Return on Equity (RoE)	7.0	7.9	7.9	7.4	5.8
RoE (annualised)	31.3	35.6	35.6	33.1	25.4
Loan book					
Provisions to NPLs	27.4	25.7	25.8	26.8	26.8
NPLs to total loans	5.3	5.3	5.7	5.1	5.3
NPLs to regulatory capital	21.3	22.2	22.0	21.9	23.9
Other					
Change in Bermuda Dollar (BD$) money supply Quarter-over-Quarter (QoQ)	0.1	-0.1	1.4	-2.1	-1.8
Change in assets (QoQ)	1.3	-2.0	-6.2	2.0	-4.5
Change in RWAs (QoQ)	-0.3	1.0	-3.7	1.0	-2.1
Change in customer deposits (QoQ)	1.4	-2.6	-7.2	2.2	-5.0

**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 banking sector.

Table II: Aggregate Balance Sheet

(BD$ billions)	2023			2022		Change	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Assets						%	%
Cash	0.1	0.1	0.1	0.1	0.1	-	–
Deposits (interbank)	3.2	2.4	2.8	4.1	3.2	33.3	–
Loans and advances (net)	8.5	8.8	9.0	9.0	8.9	-3.4	-4.5
Investments	11.4	11.8	11.7	12.0	12.5	-3.4	-8.8
Other assets	1.0	0.8	0.8	0.8	0.8	25.0	25.0
Total assets	**24.2**	**23.9**	**24.4**	**26.0**	**25.5**	**1.3**	**-5.1**
Liabilities							
Savings deposits	7.2	6.7	7.1	7.0	7.4	7.5	-2.7
Demand deposits	9.4	9.9	10.3	12.2	11.8	-5.1	-20.3
Time deposits	4.9	4.6	4.4	4.3	3.8	6.5	28.9
Total deposits	**21.5**	**21.2**	**21.8**	**23.5**	**23.0**	**1.4**	**-6.5**
Other liabilities	0.9	0.8	0.6	0.7	0.8	12.5	12.5
Total liabilities	**22.4**	**22.0**	**22.4**	**24.2**	**23.8**	**1.8**	**-5.9**
Equity and subordinated debt	1.8	1.9	2.0	1.8	1.7	-5.3	5.9
Total liabilities and equity	**24.2**	**23.9**	**24.4**	**26.0**	**25.5**	**1.3**	**-5.1**

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

Total banking sector assets grew by 1.3% (or $0.3 billion) during the quarter. The increase in total assets was driven by the growth in customer deposit liabilities during the quarter. Interbank deposits rose by 33.3% (or $0.8 billion), loans and advances declined by 3.4% (or $0.3 billion) and investments also declined by 3.4% (or $0.4 billion).

YoY, total assets contracted by 5.1% (or $1.3 billion), also driven by the $1.5 billion decline in customer deposit liabilities. The contraction in net assets is reflected in the declines in loans and advances (down 4.5% or $0.4 billion) and investments (down 8.8% or $1.1 billion).

Total deposit liabilities grew 1.4% (or $0.3 billion) from the previous quarter to $21.5 billion. The increase was driven by higher savings deposits (up 7.5% or $0.5 billion) and time deposits (up 6.5% or $0.3 billion). The increase was partially offset by the decline in demand deposits, which fell by 5.1% (or $0.5 billion) over the same period.

Total liabilities were down 5.9% (or $1.4 billion) to $22.4 billion compared to a year ago, which was mainly driven by the net decline in customer deposits. Demand deposits fell by 20.3% (or $2.4 billion) and savings deposits fell by 2.7% (or $0.3 billion). Conversely, time deposits grew by 28.9% (or $1.1 billion), offsetting some of the YoY declines in total liabilities.

SUMMARY OF BALANCE SHEET RATIOS

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

Table III: Summary of Balance Sheet Ratios

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
Asset allocation	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	47.1	49.4	48.0	46.2	49.0
Loans and advances	35.1	36.8	36.9	34.6	34.9
Deposits (interbank)	13.2	10.0	11.5	15.8	12.5
Other assets	4.1	3.3	3.3	3.1	3.1
Deposits allocation					
Savings	33.5	31.6	32.6	29.8	32.2
Demand	43.7	46.7	47.2	51.9	51.3
Time	22.8	21.7	20.2	18.3	16.5
Capital position					
Basel III – CET1 ratio (minimum 7.0%)	24.2	24.1	24.0	22.4	21.2
Basel III – RAR	25.7	25.5	26.3	24.7	23.5
Basel III – Leverage ratio	7.9	8.0	7.8	7.1	6.7

CAPITAL ADEQUACY

The capital adequacy and leverage measures continue to be well above the minimum regulatory requirements and displayed minimal movement from the prior quarter and moderate growth year-on-year as shown in Table 1.

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

Chart I: RAR and Leverage Ratio

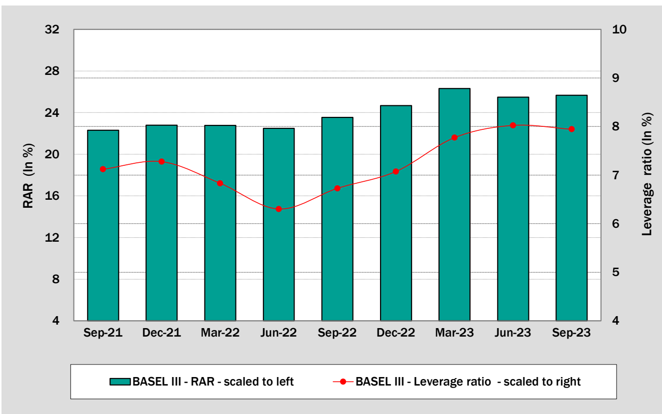
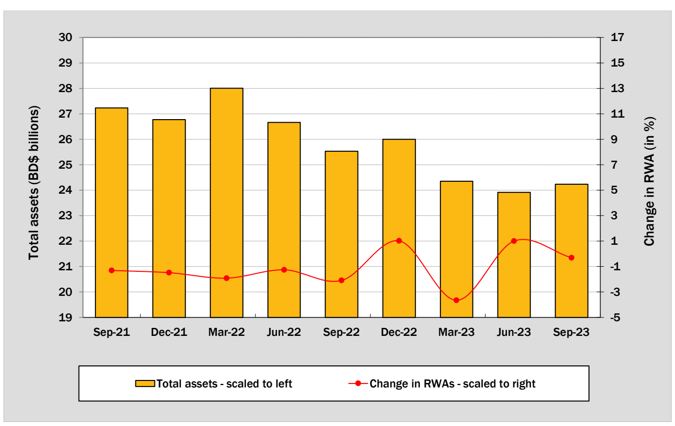


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

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.

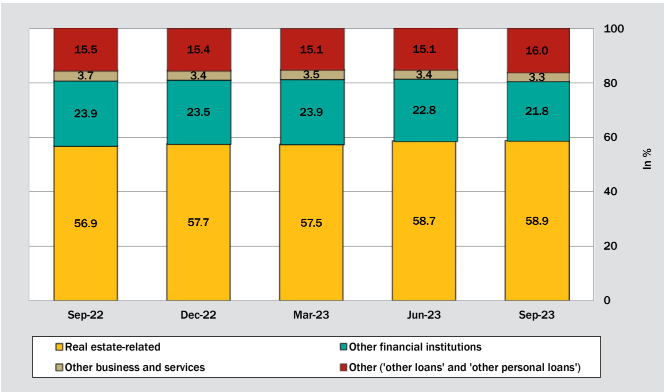
Table IV: Quality of the Loan Book

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Loans and advances QoQ growth rate	-3.4	-2.2	0.0	1.1	4.7
Residential mortgages to total loans	54.8	55.0	54.0	54.3	53.5
Loan impairments					
NPLs to total loans (net)	5.3	5.3	5.7	5.1	5.3
NPLs to regulatory capital	21.3	22.2	22.0	21.9	23.9
Net charge-offs to loans (annualised)	0.0	0.3	0.2	0.2	0.2
Loan provisioning					
Provisions to gross NPLs	27.4	25.7	25.8	26.8	26.8
Specific provisions to gross NPLs	26.0	24.4	24.6	26.0	25.0
Provisions to total loans (net)	1.9	1.7	1.9	1.8	1.8

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

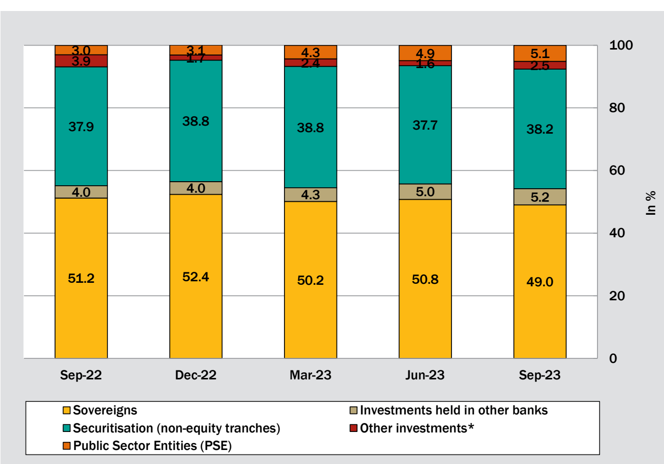


The percentage of loans to the real estate sector was 58.9% of total loans outstanding at the end of the quarter. Lending to other financial institutions was down 1.0 percentage points to 21.8% of total loans outstanding, while loans to other sectors were up 0.9 percentage points to 16.0%.

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 were down 1.8 percentage points to 49.0%. Investments in securitised (non-equity tranches) were up 0.5 percentage points to 38.2% and other investments were up 0.9 percentage points to 2.5%. All the other remaining investment categories remained stable over the same period.

LIQUIDITY POSITION

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

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

Table V: Liquidity Indicators

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	13.6	10.5	11.9	16.2	13.1
Cash and cash equivalents to total deposit liabilities	15.3	11.8	13.3	18.0	14.5
LTD ratio	39.5	41.5	41.3	38.4	38.7
Loans-to-total assets	35.1	36.8	36.9	34.6	34.9
Funding gap*	-53.7	-51.9	-52.7	-55.7	-55.3

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

Chart V shows the change in total loans and advances, customer deposits and the consolidated LTD ratio over the last five quarters.

Chart V: Total Loans and Deposits

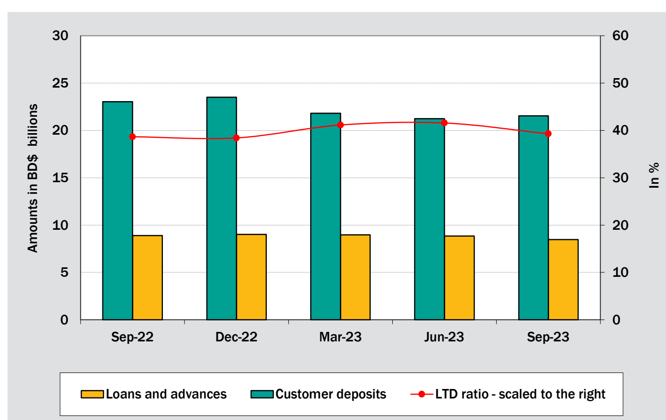


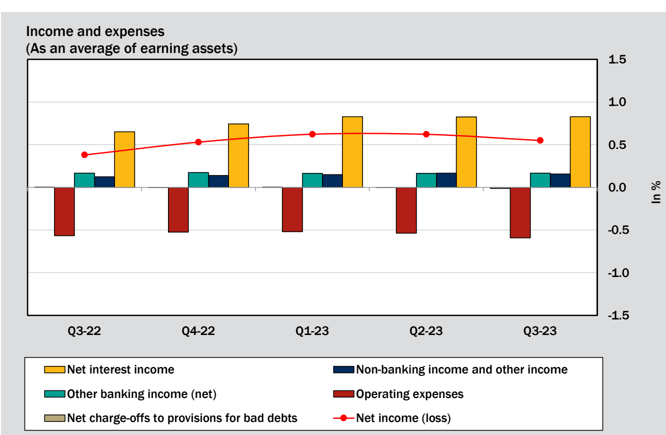
Table VI is a summary of profitability ratios for the sector for the last five quarters.

Table VI: Structure of Income Statement

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Net interest income to total income	71.8	71.3	72.6	70.3	69.0
Annualised net interest income to average earning assets	3.4	3.3	3.4	3.2	2.8
Annualised interest income to average earning assets	4.4	4.2	4.1	3.7	3.0
Banking income to total income	86.4	85.5	86.9	86.8	86.7
Non-interest income to total income	28.2	28.7	27.4	29.7	31.0
Non-interest expenses to total income (efficiency ratio)	52.4	46.3	45.4	49.9	59.7
Staff costs to non-interest expenses	54.4	51.8	52.3	52.1	45.6
RoA	0.6	0.7	0.7	0.5	0.4
RoA (annualised)	2.3	2.6	2.6	2.2	1.6
RoE	7.0	7.9	7.9	7.4	5.8
RoE (annualised)	31.3	35.6	35.6	33.1	25.4

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 banking sector's net after-tax income amounted to $130.1 million, down 13.0% (or $19.5 million) from the prior quarter. Net interest income amounted to $196.8 million, a 1.3% (or $2.7 million) decrease over the same period.

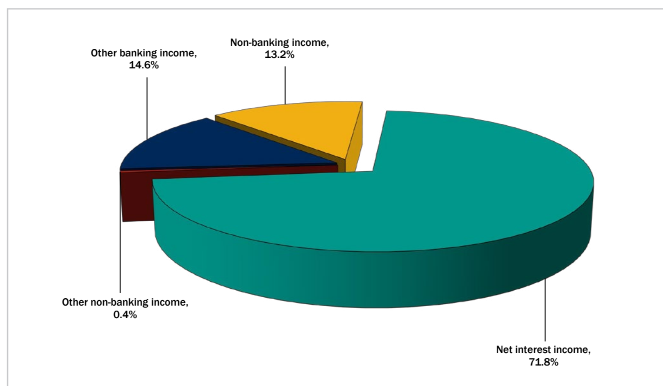
Non-interest income totalled $77.3 million, down 3.8% (or $3.0 million) from the prior quarter. Total income for the quarter was $274.1 million, representing a 2.0% (or $5.7 million) decline from the prior quarter.

Total operating and non-operating expenses for the quarter amounted to $143.6 million, an increase of 10.7% (or $13.9 million) from the prior quarter.

The sector's efficiency ratio stood at 52.4%, up 6.1 percentage points over the previous quarter.

Chart VII shows the distribution of income sources during 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

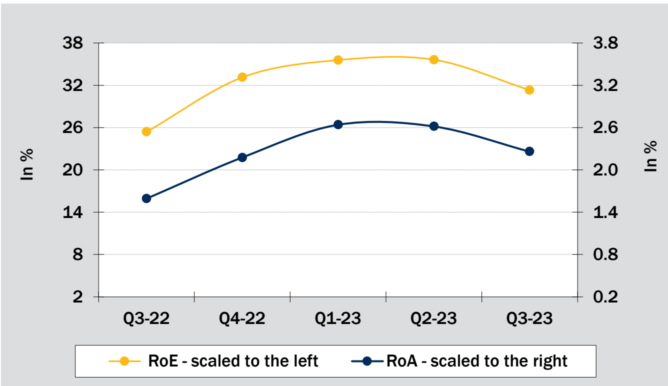


Chart IX: Quarterly RoE and RoA

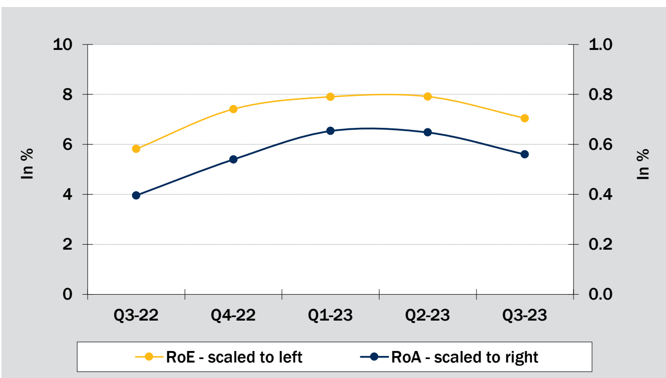


Chart X: Net Charge-off and Proportion of Annualised Charge-offs to Total Loans

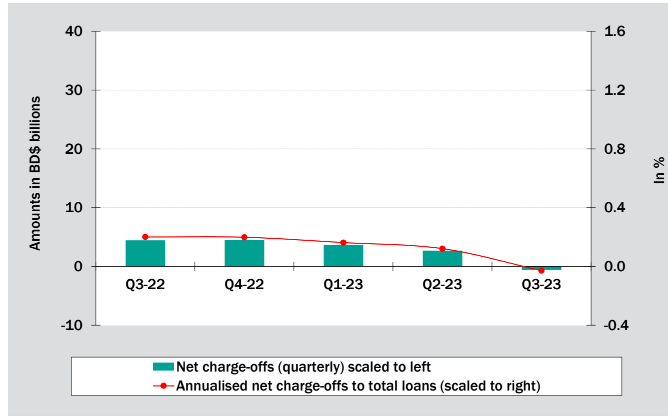


Table VII shows the aggregate FX balance sheet of the sector over the last five quarters.

Table VII: FX Balance Sheet Extract

(BD$ billions)	2023			2022		Change (in %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	3.2	2.3	2.7	4.0	3.2	39.1	–
Loans and advances	5.7	6.1	6.2	6.2	6.0	-6.6	-5.0
Investments	11.4	11.7	11.7	11.9	12.5	-2.6	-8.8
Other assets	0.6	0.5	0.4	0.5	0.4	20.0	50.0
Total assets	21.0	20.7	21.1	22.7	22.2	1.4	-5.4
Deposit liabilities	17.6	17.4	17.9	19.7	19.1	1.1	-7.9

FX assets totalled $21.0 billion, an increase of 1.4% (or $0.3 billion) from the prior quarter.

FX customer deposit liabilities amounted to $17.6 billion, an increase of 1.1% (or $0.2 billion) from the prior quarter and down 7.9% (or $1.5 billion) compared to the same quarter last year. The net quarterly increase was due to higher FX time deposits (up 7.7% or $0.3 billion) to $4.2 billion and FX savings deposits (up 7.7% or $0.4 billion) to $5.6 billion. These increases were offset by the decline in FX demand deposits (down 6.0% or $0.5 billion) to $7.8 billion.

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

Table VIII: FX Positions

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
FX-denominated assets to total assets	86.8	86.6	86.5	87.3	87.1
FX-denominated loans to total loans	67.1	69.3	68.9	68.9	67.4
FX-denominated deposits to total deposits	81.9	82.1	82.1	83.8	83.0
Changes in FX assets	1.4	-1.9	-7.0	2.3	-4.7
Changes in FX loans and advances	-6.6	-1.6	0.0	3.3	7.1
Changes in FX customer deposits	1.1	-2.8	-9.1	3.1	-5.0

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

Table IX: Net FX Position

(BD$ billions)	2023			2022	
	Sep	Jun	Mar	Dec	Sep
Total FX assets	21.0	20.7	21.1	22.7	22.2
Less: other assets	0.6	0.5	0.4	0.5	0.4
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9
Adjusted FX assets	19.5	19.3	19.8	21.3	20.9
FX liabilities*	18.2	17.9	18.2	20.0	19.6
Add: BD$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	18.3	18.0	18.3	20.1	19.7
Net FX position	1.2	1.3	1.5	1.2	1.2

**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.

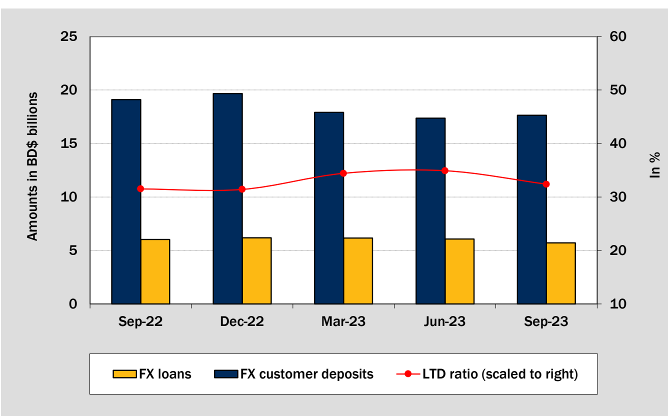
Table X: Liquidity Indicators (FX Positions)

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	15.7	11.6	13.3	18.5	14.9
Cash and cash equivalents to total deposit liabilities	18.8	13.9	15.6	21.3	17.3
LTD ratio	32.4	35.1	34.6	31.5	31.4
Loans to total assets	27.1	29.5	29.4	27.3	27.0
Funding gap*	-56.7	-54.6	-55.5	-59.5	-59.0

**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



BD$ BALANCE SHEET

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

Table XI: BD$ Balance Sheet Extract (Unconsolidated)

(BD$ billions)	2023			2022		Change (in %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Loans and advances	2.8	2.9	2.9	3.0	3.0	-3.4	-6.7
Total assets	3.6	3.6	3.6	3.6	3.6	0.0	0.0
Deposit liabilities	3.9	3.9	3.9	3.8	3.9	0.0	0.0

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.

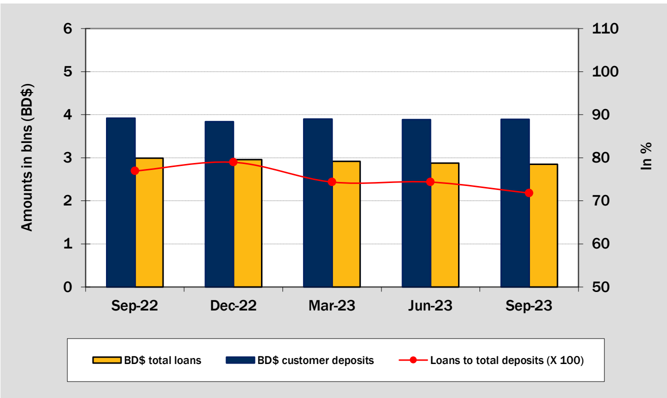
Table XII: Liquidity Indicators (BD$ Positions)

	2023			2022	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	2.7	2.5	2.3	2.4	2.4
Cash and cash equivalents to total deposit liabilities	2.5	2.3	2.2	2.3	2.2
LTD ratio	71.8	74.4	74.4	78.9	76.9
Loans to total assets	77.8	80.6	80.6	83.3	83.3
Funding gap*	-30.6	-27.8	-27.8	-22.2	-25.6

**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 loans to customer deposits fell by 2.6 percentage points to 71.8% from the prior quarter, largely due to the decline in BD$ loans, which were down 3.4% to $2.8 billion. Local customer deposits remained unchanged over the same period.

MONETARY AGGREGATES

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

Table XIII: Bermuda Money Supply (Unconsolidated)

(BD$ millions)	2023			2022	
	Sep	Jun	Mar	Dec	Sep
Notes and coins in circulation	193	191	187	193	188
Deposit liabilities	3,894	3,889	3,896	3,837	3,922
Banks and deposit companies	4,087	4,080	4,083	4,030	4,110
Less: cash at banks and deposit companies	72	68	66	70	66
BD$ money supply	4,015	4,012	4,017	3,960	4,044
% Growth on previous period	0.1	-0.1	1.4	-2.1	-1.8
% Growth YoY	-0.7	-2.6	-2.7	-3.3	-0.2

Table XI includes only the BD$ money supply data (excludes all other currencies).

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.

Basel Committee on Banking Supervision (BCBS)

In July, the BCBS published a consultive document on core principles for effective banking supervision. The core principles form a fundamental part of BCBS's global standards for the sound prudential regulation and supervision of banks.

https://www.bis.org/bcbs/publ/d551.pdf

Bank of England (BoE)

In July, the BoE published the results of its 2022 and 2023 stress tests of the UK banking system.

https://www.bankofengland.co.uk/-/media/boe/files/stress-testing/2023/stress-testing-the-uk-banking--system-2022-23-results.pdf

European Banking Authority (EBA)

In September, the EBA published its second mandatory Basel III Monitoring Report, which assesses the impact that the full implementation of Basel III will have on EU banks in 2028.

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2023/Basel%20III%20monitoring%20report/1062187/Basel%20III%20monitoring%20report%20as%20of%20December%202022.pdf

In July, the EBA published its Final Report on Guidelines on Overall Recovery Capacity (ORC) in Recovery Planning. The guidelines establish a consistent framework for the determination of the ORC by institutions in their recovery plans and the respective assessment by competent authorities and aim at strengthening institutions' effective crisis preparedness.

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2023/EBA-GL-2023-06/1061158/Final%20Report%20on%20GLs%20on%20overall%20recovery%20capacity%20in%20recovery%20planning.pdf

Financial Stability Board (FSB)

In September, the FSB and International Monetary Fund published a joint paper on a comprehensive approach to identify and respond to macroeconomic and financial stability risks associated with crypto-assets.

https://www.fsb.org/wp-content/uploads/R070923-1.pdf

In July, the FSB published its global regulatory framework for crypto-asset activities to promote comprehensiveness and international consistency for regulatory and supervisory approaches.

https://www.fsb.org/wp-content/uploads/P170723-1.pdf

GLOSSARY

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

Additional Tier 1 (AT1) capital is regulatory capital that provides loss absorption on a going concern basis but without meeting all the criteria for CET1 as set out in the Basel Framework.

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 is used as the primary capital adequacy measure for all Bermuda banks under Basel III. CET1 is intended to absorb losses on a going-concern basis.

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 have been deemed to be systemically important to the local economy.

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

Efficiency ratio measures the ability of banks to convert resources into revenue. The metric is expressed as a ratio of non-interest expenses to total income.

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 as 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 income 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 set out in the Basel Framework.

Liquidity Coverage Ratio (LCR) is the proportion of a bank's stock of unencumbered high-quality liquid assets that can be converted easily and quickly into cash to meet its short-term obligations over a 30-calendar-day liquidity stress scenario period.

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

Net charge-offs for loan losses and impaired loans is the sum of general and specific loss charges 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.

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 is income derived primarily from fees, 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 (NPLs) are loans classified as 'substandard', 'doubtful' and 'loss' per the BMA's guidance on the completion of the Prudential Information Return (PIR) 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 all ordinary business expenses not falling under non-interest expenses of operating expenses.

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 lending refers to lending to real estate operators and owners and lessors of real property, as well as buyers, sellers, developers, agents and brokers.

Regulatory capital 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 average interest-earning assets over the same period.

RoA (Annualised) is calculated by dividing the net income over the quarter by the value of average 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 average shareholder equity over the same period.

RoE (Annualised) is calculated by dividing the net income over the quarter by the value of average 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) refer 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 and collectively assessed groups of loans.

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

Tier 2 (T2) Capital or supplementary capital is a form of regulatory capital that provides loss absorption on a gone concern basis of impending insolvency and potential liquidation.

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) are 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 document is available for download on the Authority's website (www.bma.bm).*

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