

## 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 0.5% to 3.0%, depending on the bank's balance sheet size and unique risk profile.

## PERFORMANCE HIGHLIGHTS

- The banking sector's total assets fell by 2.1% to \$23.7 billion during the quarter and by 8.8% year-on-year. The quarter-on-quarter decline is mainly reflected in the \$0.6 billion (or 18.8%) decrease in interbank deposits and in other assets which were down by \$0.1 billion (or 10.0%). These declines were partially offset by the 1.8% increase in investments.
- The aggregate banking sector net profits are higher by 5.7% when compared to the prior quarter. This was mainly attributed to lower operating costs, which fell by 5.3% over the quarter. Total income was stable, down 0.2% from the previous quarter.
- The aggregate banking sector Risk-Asset Ratio (RAR) and CET1 ratio increased by 0.6 percentage points to 26.3% and 24.8%, respectively.
- The ratio of provisions to NPLs has declined by 1.1 percentage points to 26.3%, while the ratio of non-performing loans to total loans has increased slightly by 0.1 percentage points to 5.4%.

## 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
	Dec	Sep	Jun	Mar	Dec
<b>Capital position</b>	%	%	%	%	%
Basel III – RAR	26.3	25.7	25.5	26.3	24.7
Basel III – CET1 ratio (minimum 7.0%)	24.8	24.2	24.1	24.0	22.4
Basel III – Leverage ratio (BMA minimum 5.0%)	8.1	7.9	8.0	7.8	7.1
<b>Liquidity</b>					
Cash and cash equivalents to total deposit liabilities	12.9	15.3	11.8	13.3	18.0
Loan-To-Deposit (LTD) ratio	40.7	39.5	41.5	41.3	38.4
Funding gap*	-52.3	-53.7	-51.9	-52.7	-55.7
<b>Profitability</b>					
Net interest income to interest income	73.6	76.6	79.6	82.3	85.4
Return on Assets (RoA)	0.6	0.6	0.7	0.7	0.5
RoA (annualised)	2.4	2.3	2.6	2.6	2.2
Return on Equity (RoE)	6.9	7.0	7.9	7.9	7.4
RoE (annualised)	30.8	31.3	35.6	35.6	33.1
<b>Loan book</b>					
Provisions to NPLs	26.3	27.4	25.7	25.8	26.8
NPLs to total loans	5.4	5.3	5.3	5.7	5.1
NPLs to regulatory capital	21.9	21.3	22.2	22.0	21.9
<b>Other</b>					
Change in Bermuda Dollar (BD\$) money supply Quarter-over-Quarter (QoQ)	-0.4	0.1	-0.1	1.4	-2.1
Change in assets (QoQ)	-2.1	1.3	-2.0	-6.2	2.0
Change in RWAs (QoQ)	-2.8	-0.3	1.0	-3.7	1.0
Change in customer deposits (QoQ)	-2.8	1.4	-2.6	-7.2	2.2

\*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	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
<b>Assets</b>						%	%
Cash	0.1	0.1	0.1	0.1	0.1	-	-
Deposits (interbank)	2.6	3.2	2.4	2.8	4.1	-18.8	-36.6
Loans and advances (net)	8.5	8.5	8.8	9.0	9.0	-	-5.6
Investments	11.6	11.4	11.8	11.7	12.0	1.8	-3.3
Other assets	0.9	1.0	0.8	0.8	0.8	-10.0	12.5
<b>Total assets</b>	<b>23.7</b>	<b>24.2</b>	<b>23.9</b>	<b>24.4</b>	<b>26.0</b>	<b>-2.1</b>	<b>-8.8</b>
<b>Liabilities</b>							
Savings deposits	6.3	7.2	6.7	7.1	7.0	-12.5	-10.0
Demand deposits	9.6	9.4	9.9	10.3	12.2	2.1	-21.3
Time deposits	5.0	4.9	4.6	4.4	4.3	2.0	16.3
<b>Total deposits</b>	<b>20.9</b>	<b>21.5</b>	<b>21.2</b>	<b>21.8</b>	<b>23.5</b>	<b>-2.8</b>	<b>-11.1</b>
Other liabilities	0.8	0.9	0.8	0.6	0.7	-11.1	14.3
<b>Total liabilities</b>	<b>21.7</b>	<b>22.4</b>	<b>22.0</b>	<b>22.4</b>	<b>24.2</b>	<b>-3.1</b>	<b>-10.3</b>
Equity and subordinated debt	2.0	1.8	1.9	2.0	1.8	11.1	11.1
<b>Total liabilities and equity</b>	<b>23.7</b>	<b>24.2</b>	<b>23.9</b>	<b>24.4</b>	<b>26.0</b>	<b>-2.1</b>	<b>-8.8</b>

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

QoQ – percentage change from the prior quarter.

Total banking sector assets contracted by 2.1% (or \$0.5 billion) for the quarter. The quarterly decline was due to decreases in interbank deposits by 18.8% (or \$0.6 billion) and other assets, by 10.0% (or \$0.1 billion). Investments increased slightly by 1.8% (or \$0.2 billion), offsetting some of the decline in total assets.

YoY, total assets were down by 8.8% (or \$2.3 billion), driven by the decline in customer deposit liabilities. The decrease in total assets is reflected in the declines in interbank deposits (down 36.6% or \$1.5 billion), loans and advances (down 5.6% or \$0.5 billion) and investments (down 3.3% or \$0.4 billion).

Total deposit liabilities fell by 2.8% (or \$0.6 billion) from the previous quarter to \$20.9 billion. The decline was primarily driven by the decrease in savings deposits (down

12.5% or \$0.9 billion) but partially offset by the increases in time deposits (up 2.0% or \$0.1 billion) and demand deposits (up 2.1% or \$0.2 billion) over the same period.

Compared to a year ago, total liabilities were down 10.3% (or \$2.5 billion) to \$21.7 billion, driven primarily by the net decline in customer deposits. Demand deposits were down 21.3% (or \$2.6 billion) and savings deposits fell by 10.0% (or \$0.7 billion). Conversely, time deposits grew by 16.3% (or \$0.7 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
	Dec	Sep	Jun	Mar	Dec
<b>Asset allocation</b>	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	48.9	47.1	49.4	48.0	46.2
Loans and advances	35.9	35.1	36.8	36.9	34.6
Deposits (interbank)	11.0	13.2	10.0	11.5	15.8
Other assets	3.8	4.1	3.3	3.3	3.1
<b>Deposits allocation</b>					
Savings	30.1	33.5	31.6	32.6	29.8
Demand	45.9	43.7	46.7	47.2	51.9
Time	23.9	22.8	21.7	20.2	18.3
<b>Capital position</b>					
Basel III – CET1 ratio (minimum 7.0%)	24.8	24.2	24.1	24.0	22.4
Basel III – RAR	26.3	25.7	25.5	26.3	24.7
Basel III – Leverage ratio	8.1	7.9	8.0	7.8	7.1

## CAPITAL ADEQUACY

The capital adequacy and leverage measures remain well above the minimum regulatory requirements and have shown growth over the prior quarter and year-on-year as shown in Table 1.

Chart I: RAR and Leverage Ratio

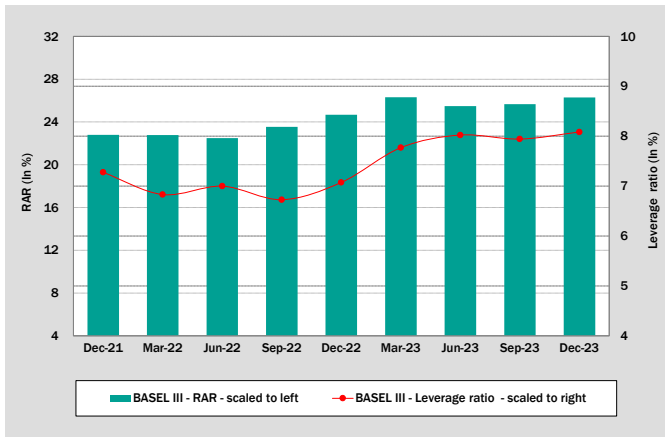
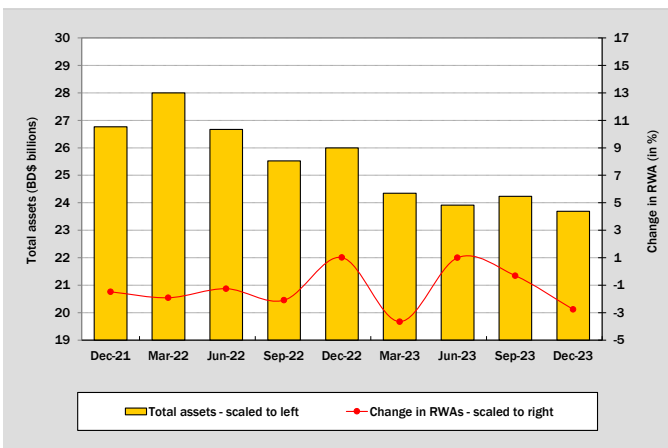


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

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.

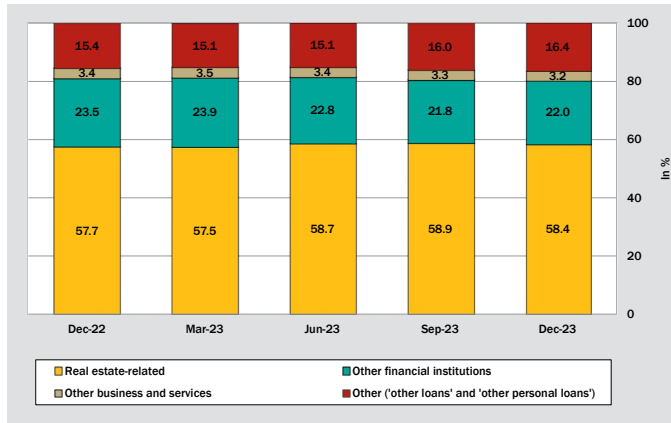
Table IV: Quality of the Loan Book

	2023				2022
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Loans and advances QoQ growth rate	0.0	-3.4	-2.2	0.0	1.1
Residential mortgages to total loans	54.4	54.8	55.0	54.0	54.3
<b>Loan impairments</b>					
NPLs to total loans (net)	5.4	5.3	5.3	5.7	5.1
NPLs to regulatory capital	21.9	21.3	22.2	22.0	21.9
Net charge-offs to loans (annualised)	-0.2	0.0	0.3	0.2	0.2
<b>Loan provisioning</b>					
Provisions to gross NPLs	26.3	27.4	25.7	25.8	26.8
Specific provisions to gross NPLs	24.2	26.0	24.4	24.6	26.0
Provisions to total loans (net)	1.8	1.9	1.7	1.9	1.8

## SECTORAL DISTRIBUTION OF LOANS

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

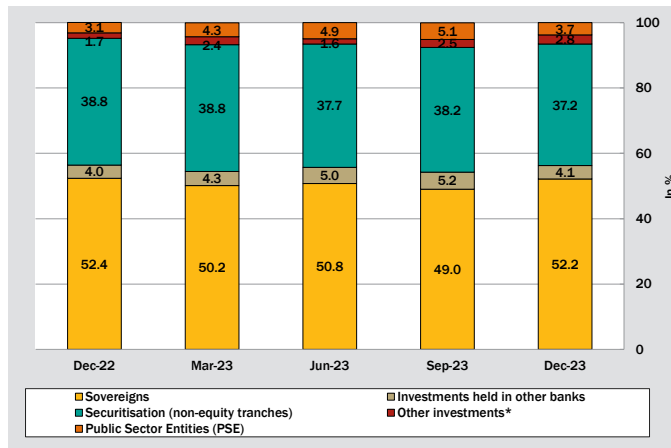
Chart III: Sectoral Distribution of Loans and Advances



## 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 grew by 3.2 percentage points to 52.2% of total investments for the quarter. Conversely, the remaining investment classes experienced declines,

with PSE investments down 1.4 percentage points to 3.7%, investments held in other banks down 1.1 percentage points to 4.1% and securitised (non-equity tranche) investments down 1.0 percentage points to 37.2% of total investments.

## 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
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	11.4	13.6	10.5	11.9	16.2
Cash and cash equivalents to total deposit liabilities	12.9	15.3	11.8	13.3	18.0
LTD ratio	40.7	39.5	41.5	41.3	38.4
Loans-to-total assets	35.9	35.1	36.8	36.9	34.6
Funding gap*	-52.3	-53.7	-51.9	-52.7	-55.7

\*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

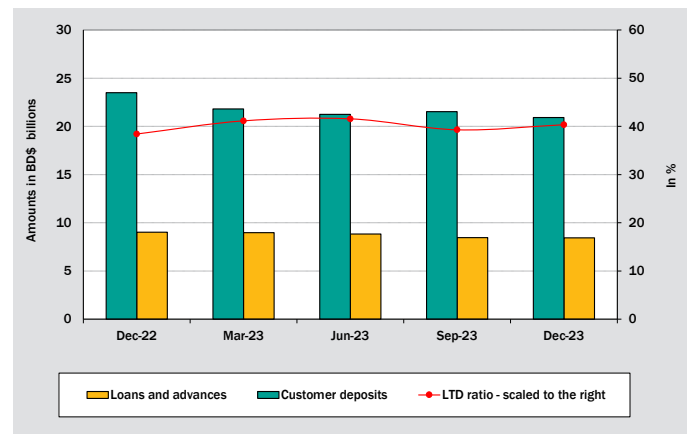


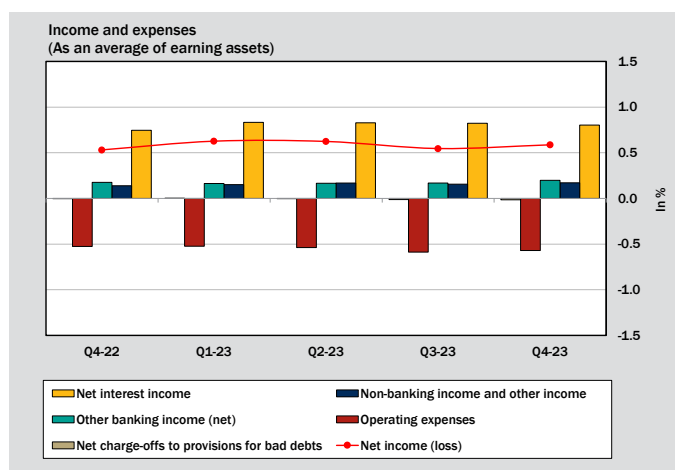
Table VI is a summary of profitability ratios for the sector for the last five quarters.

Table VI: Structure of Income Statement

	2023				2022
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Net interest income to total income	68.4	71.8	71.3	72.6	70.3
Annualised net interest income to average earning assets	3.3	3.4	3.3	3.4	3.2
Annualised interest income to average earning assets	4.4	4.4	4.2	4.1	3.7
Banking income to total income	85.4	86.4	85.5	86.9	86.8
Non-interest income to total income	31.6	28.2	28.7	27.4	29.7
Non-interest expenses to total income (efficiency ratio)	50.0	52.4	46.3	45.4	49.9
Staff costs to non-interest expenses	53.0	54.4	51.8	52.3	52.1
RoA	0.6	0.6	0.7	0.7	0.5
RoA (annualised)	2.4	2.3	2.6	2.6	2.2
RoE	6.9	7.0	7.9	7.9	7.4
RoE (annualised)	30.8	31.3	35.6	35.6	33.1

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 \$137.6 million, representing a 5.7% (or \$7.5 million) increase over the prior quarter. Net interest income amounted to \$187.2 million, a 5.9% (or \$9.6 million) decrease over the same period.

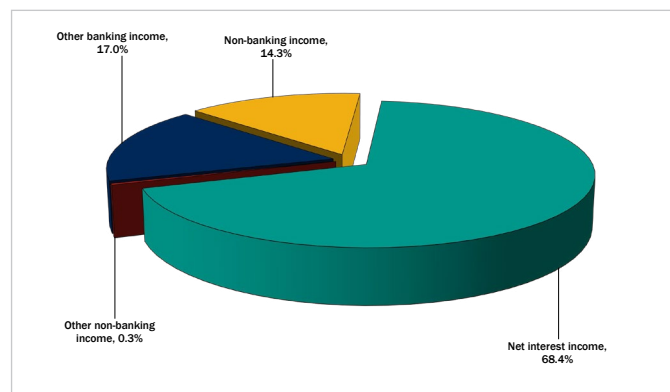
Non-interest income totalled \$86.5 million, up 11.9% (or \$9.2 million) from the prior quarter. Total income for the quarter amounted to \$273.6 million, down 0.2% (or \$0.4 million) from the prior quarter.

Total operating and non-operating expenses for the quarter amounted to \$136.8 million, a decline of 4.7% (or \$6.8 million) from the prior quarter.

The sector’s efficiency ratio declined, falling by 2.4 percentage points to 50.0% over the previous quarter.

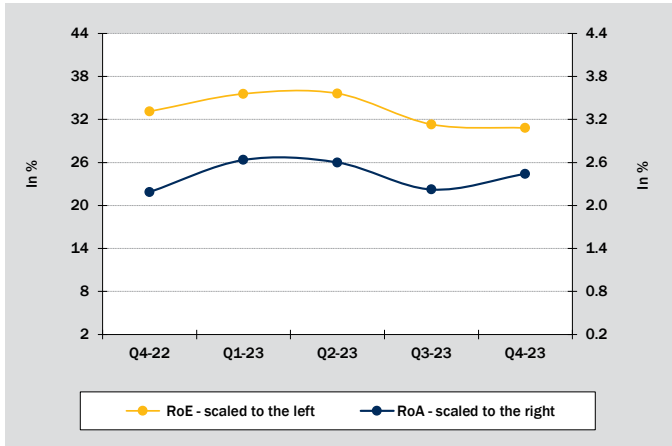
Chart VII shows the distribution of income sources during the quarter.

Chart VII: Distribution of Income Sources

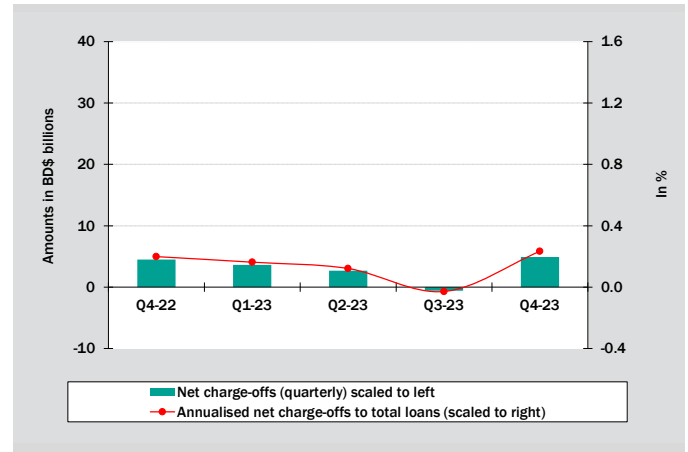


Charts VIII and IX show the trend in RoE and RoA over the last five quarters.

**Chart VIII: Annualised RoE and RoA**



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



**Chart IX: Quarterly RoE and RoA**

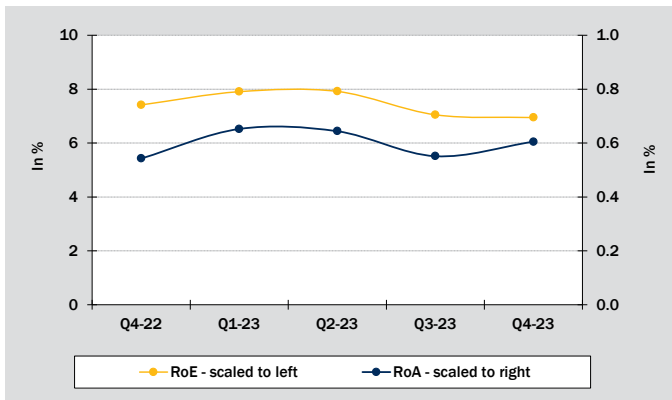


Table VII shows the aggregate FX balance sheet of the sector over the last five quarters.

**Table VII: FX Balance Sheet Extract**

(BD\$ billions)	2023				2022	Change (in %)	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	-	-
Deposits (interbank)	2.5	3.2	2.3	2.7	4.0	-21.9	-37.5
Loans and advances	5.7	5.7	6.1	6.2	6.2	-	-8.1
Investments	11.6	11.4	11.7	11.7	11.9	1.8	-2.5
Other assets	0.6	0.6	0.5	0.4	0.5	-	20.0
Total assets	20.5	21.0	20.7	21.1	22.7	-2.4	-9.7
Deposit liabilities	17.0	17.6	17.4	17.9	19.7	-3.4	-13.7

FX assets totalled \$20.5 billion, a decrease of 2.4% (or \$0.5 billion) from the prior quarter. This was mainly due to the 21.9% decline in interbank deposits from the prior quarter.

FX customer deposit liabilities amounted to \$17.0 billion, a decline of 3.4% (or \$0.6 billion) from the prior quarter and down 13.7% (or \$2.7 billion) compared to the same quarter last year. The net quarterly decrease was due to lower FX savings deposits (down 14.3% or \$0.8 billion) to \$4.8 billion. The decline was offset by some of the increases in FX time deposits (up 2.4% or \$0.1 billion) to \$4.3 billion and FX demand deposits (up 1.3% or \$0.1 billion) to \$7.9 billion.

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

**Table VIII: FX Positions**

	2023				2022
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
FX-denominated assets to total assets	86.5	86.8	86.6	86.5	87.3
FX-denominated loans to total loans	67.1	67.1	69.3	68.9	68.9
FX-denominated deposits to total deposits	81.3	81.9	82.1	82.1	83.8
Changes in FX assets	-2.4	1.4	-1.9	-7.0	2.3
Changes in FX loans and advances	0.0	-6.6	-1.6	0.0	3.3
Changes in FX customer deposits	-3.4	1.1	-2.8	-9.1	3.1

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

**Table IX: Net FX Position**

(BD\$ billions)	2023				2022
	Dec	Sep	Jun	Mar	Dec
Total FX assets	20.5	21.0	20.7	21.1	22.7
Less: other assets	0.6	0.6	0.5	0.4	0.5
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9
Adjusted FX assets	19.0	19.5	19.3	19.8	21.3
FX liabilities*	17.5	18.2	17.9	18.2	20.0
Add: BD\$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	17.6	18.3	18.0	18.3	20.1
Net FX position	1.4	1.2	1.3	1.5	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.

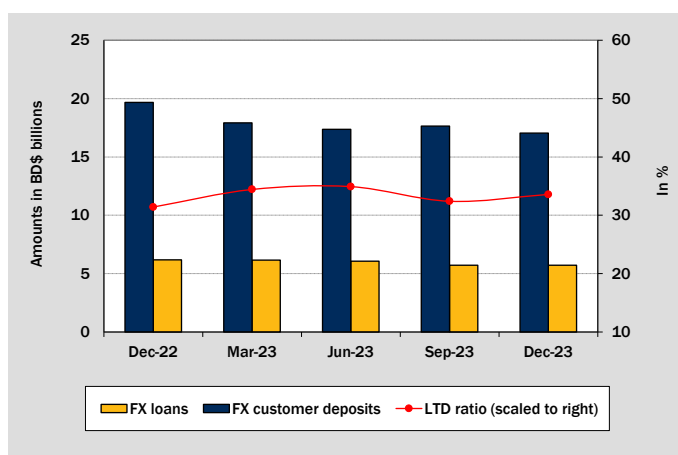
**Table X: Liquidity Indicators (FX Positions)**

	2023				2022
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	12.7	15.7	11.6	13.3	18.5
Cash and cash equivalents to total deposit liabilities	15.3	18.8	13.9	15.6	21.3
LTD ratio	33.5	32.4	35.1	34.6	31.5
Loans to total assets	27.8	27.1	29.5	29.4	27.3
Funding gap*	-55.1	-56.7	-54.6	-55.5	-59.5

\*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**



## 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 %)	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
Loans and advances	2.8	2.8	2.9	2.9	3.0	-	-
Total assets	3.6	3.6	3.6	3.6	3.6	-	-
Deposit liabilities	3.9	3.9	3.9	3.9	3.8	-	-

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.

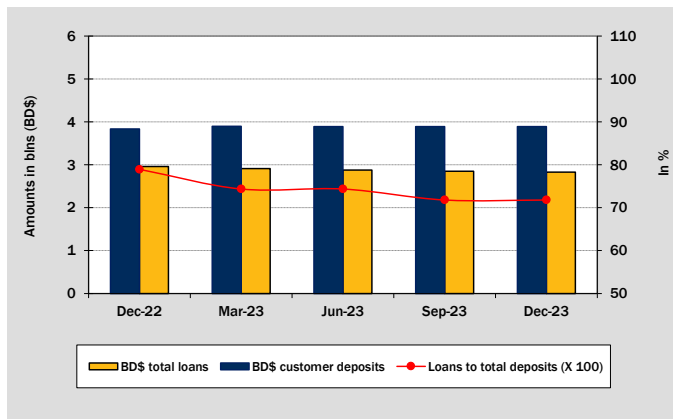
**Table XII: Liquidity Indicators (BD\$ Positions)**

	2023				2022
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	2.6	2.7	2.5	2.3	2.4
Cash and cash equivalents to total deposit liabilities	2.4	2.5	2.3	2.2	2.3
LTD ratio	71.8	71.8	74.4	74.4	78.9
Loans to total assets	77.8	77.8	80.6	80.6	83.3
Funding gap to total assets*	-30.6	-30.6	-27.8	-27.8	-22.2

\*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**



## 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
	Dec	Sep	Jun	Mar	Dec
Notes and coins in circulation	182	193	191	187	193
Deposit liabilities	3,888	3,894	3,889	3,896	3,837
Banks and deposit companies	4,070	4,087	4,080	4,083	4,030
Less: cash at banks and deposit companies	70	72	68	66	70
BD\$ money supply	4,000	4,015	4,012	4,017	3,960
% Growth on previous period	-0.4	0.1	-0.1	1.4	-2.1
% Growth YoY	1.0	-0.7	-2.6	-2.7	-3.3

Table XIII 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 October, the BCBS published a report on the 2023 banking turmoil. The report provides an assessment of the causes of the banking turmoil, the regulatory and supervisory responses, and the initial lessons learned from the events of the bank failures.

<https://www.bis.org/bcbs/publ/d555.pdf>

### Financial Stability Board (FSB)

In December, the FSB published a report on the implementation of resolution reforms that takes stock of progress made by FSB members in implementing resolution reforms and enhancing resolvability across the banking, central counterparty and insurance sectors.

<https://www.fsb.org/wp-content/uploads/P151223.pdf>

In December, the FSB published a report describing the broad trends in financial intermediation across 29 jurisdictions that account for around 85% of the global GDP.

<https://www.fsb.org/wp-content/uploads/P181223.pdf>

In October, the FSB published a report on the 2023 bank failures and the preliminary lessons learned for resolution.

<https://www.fsb.org/wp-content/uploads/P101023.pdf>

In October, the FSB published an annual report on promoting global financial stability.

<https://www.fsb.org/wp-content/uploads/P111023.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](http://www.bma.bm)).*