



Quarterly Banking Digest

Q1-2024

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.

NOTE ON REVISED Q4 2023 NUMBERS

- Some of the numbers published in the Q4 2023 Banking Digest have been revised. The revisions are mainly due to the impact of the introduction of a minimum global corporate income tax regime in Bermuda on the income statement provision for taxation and other assets on the balance sheet.

PERFORMANCE HIGHLIGHTS

- The banking sector's total assets increased by 1.3% to \$24.1 billion during the quarter and decreased by 1.2% year-on-year. The increase over the previous quarter was mainly driven by a \$1.0 billion (or 38.5%) growth in interbank deposits but this was partially offset by decreases in investments (down \$0.3 billion), loans and advances (down \$0.2 billion) and other assets (down \$0.3 billion).

- The banking sector's net profit after tax decreased by 38.9% from the prior quarter due mainly to an accounting adjustment in Q4 2023 as a result of the implementation of Bermuda's Corporate Income Tax Act. Excluding this one-time adjustment, the net profit after tax only declined 2.0%. The banking sector's total income rose 0.6% (or \$1.6 million) over the prior quarter.
- The ratio of provisions to Non-Performing Loans (NPLs) continued to decline, falling by 0.9 percentage points to 25.4%, while the percentage of non-performing loans to total loans increased slightly by 0.3 percentage points to 5.7%.

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	2024	2023			
	Mar	Dec	Sep	Jun	Mar
Capital position	%	%	%	%	%
Basel III – RAR	26.1	26.3	25.7	25.5	26.3
Basel III – CET1 ratio (minimum 7.0%)	24.7	24.8	24.2	24.1	24.0
Basel III – Leverage ratio (BMA minimum 5.0%)	8.0	8.1	7.9	8.0	7.8
Liquidity					
Cash and cash equivalents to total deposit liabilities	17.3	12.9	15.3	11.8	13.3
Loan-To-Deposit (LTD) ratio	38.8	40.7	39.5	41.5	41.3
Funding gap**	-54.4	-52.1*	-53.7	-51.9	-52.7
Profitability					
Net interest income to interest income	72.9	73.6	76.6	79.6	82.3
Return on Assets (RoA)	0.6	1.0*	0.6	0.7	0.7
RoA (annualised)	2.3	3.9*	2.3	2.6	2.6
Return on Equity (RoE)	6.6	10.7*	7.0	7.9	7.9
RoE (annualised)	29.1	50.1*	31.3	35.6	35.6
Loan book					
Provisions to NPLs	25.4	26.3	27.4	25.7	25.8
NPLs to total loans	5.7	5.4	5.3	5.3	5.7
NPLs to regulatory capital	22.5	21.9	21.3	22.2	22.0
Other					
Change in Bermuda Dollar (BD\$) money supply Quarter-over-Quarter (QoQ)	1.4	-0.4	0.1	-0.1	1.4
Change in assets (QoQ)	1.3	-1.7*	1.3	-2.0	-6.2
Change in RWAs (QoQ)	0.5	-2.8	-0.3	1.0	-3.7
Change in customer deposits (QoQ)	2.4	-2.8	1.4	-2.6	-7.2

*Revised

**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)	2024	2023				Change	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY
Assets						%	%
Cash	0.1	0.1	0.1	0.1	0.1	-	-
Deposits (interbank)	3.6	2.6	3.2	2.4	2.8	38.5	28.6
Loans and advances (net)	8.3	8.5	8.5	8.8	9.0	-2.4	-7.8
Investments	11.3	11.6	11.4	11.8	11.7	-2.6	-3.4
Other assets	0.8	1.0*	1.0	0.8	0.8	-27.3	-
Total assets	24.1	23.8*	24.2	23.9	24.4	1.3	-1.2
Liabilities							
Savings deposits	6.5	6.3	7.2	6.7	7.1	3.2	-8.5
Demand deposits	9.5	9.6	9.4	9.9	10.3	-1.0	-7.8
Time deposits	5.4	5.0	4.9	4.6	4.4	8.0	22.7
Total deposits	21.4	20.9	21.5	21.2	21.8	2.4	-1.8
Other liabilities	0.7	0.8	0.9	0.8	0.6	-12.5	16.7
Total liabilities	22.1	21.7	22.4	22.0	22.4	1.8	-1.3
Equity and subordinated debt	2.0	2.1*	1.8	1.9	2.0	-4.8	-
Total liabilities and equity	24.1	23.8*	24.2	23.9	24.4	1.3	-1.2

*Revised

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

QoQ – percentage change from the prior quarter.

For the first quarter of 2024, the banking sector's total assets increased by 1.3% (or \$0.3 billion). The increase over the previous quarter was mainly driven by a \$1.0 billion (or 38.5%) growth in interbank deposits but it was partially offset by decreases in investments (down \$0.3 billion), loans and advances (down \$0.2 billion) and other assets (down \$0.3 billion).

Total assets fell by 1.2% (or \$0.3 billion) from a year ago, largely due to the net decrease in loans and advances being down 7.8% (or \$0.7 billion) and investments being down 3.4% (or \$0.4 billion). Interbank deposits rose by 28.6% (or \$0.8 billion) over the same period, offsetting part of the year-on-year decline.

Over the quarter, total deposit liabilities increased by 2.4% (or \$0.5 billion) to \$21.4 billion, which increased time deposits by 8.0% (or \$0.4 billion) and savings deposits by 3.2% (or \$0.2 billion), while demand deposits declined slightly by 1.0% (or \$0.1 billion).

On a year-on-year basis, total deposit liabilities fell by 1.8% (or \$0.4 billion). Savings deposits decreased by 8.5% (or \$0.6 billion) and demand deposits were down 7.8% (or \$0.8 billion).

Conversely, time deposits increased by 22.7% (or \$1.0 billion), partially offsetting the year-on-year decrease in total deposit liabilities.

SUMMARY OF BALANCE SHEET RATIOS

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

Table III: Summary of Balance Sheet Ratios

	2024	2023			
	Mar	Dec	Sep	Jun	Mar
Asset allocation	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	46.9	48.7*	47.1	49.4	48.0
Loans and advances	34.4	35.7*	35.1	36.8	36.9
Deposits (interbank)	15.0	10.9*	13.2	10.0	11.5
Other assets	3.3	4.2*	4.1	3.3	3.3
Deposits allocation					
Savings	30.4	30.1	33.5	31.6	32.6
Demand	44.4	45.9	43.7	46.7	47.2
Time	25.2	23.9	22.8	21.7	20.2
Capital position					
Basel III - CET1 ratio (minimum 7.0%)	24.7	24.8	24.2	24.1	24.0
Basel III - RAR	26.1	26.3	25.7	25.5	26.3
Basel III - Leverage ratio	8.0	8.1	7.9	8.0	7.8

*Revised

CAPITAL ADEQUACY

The capital adequacy and leverage measures remain well above the minimum regulatory requirements. RAR and leverage ratios have shown marginal movements year-on-year and over the prior quarter. The CET1 ratio has moved marginally over the prior quarter but grew by 0.7 percentage points from a year ago, 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

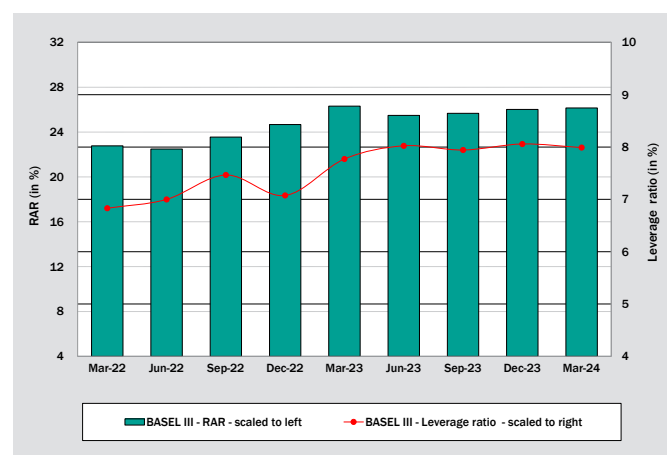
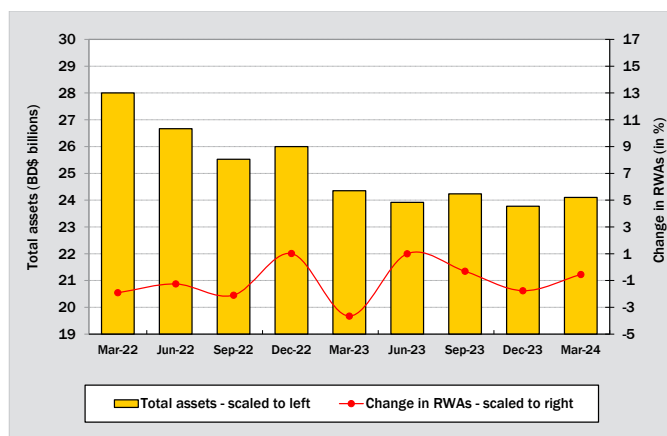


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

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.

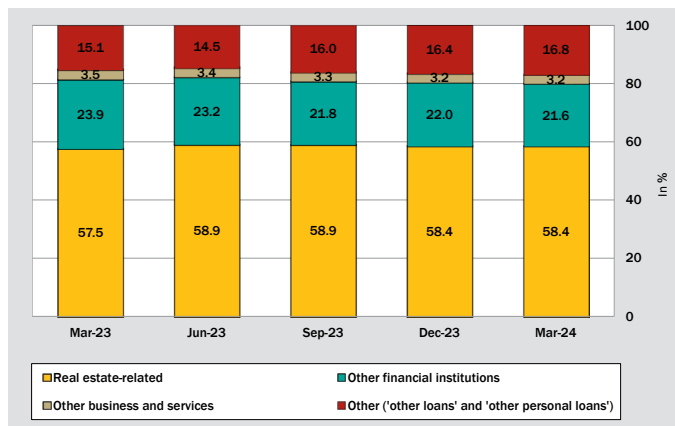
Table IV: Quality of the Loan Book

	2024	2023			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Loans and advances QoQ growth rate	-2.4	0.0	-3.4	-2.2	0.0
Residential mortgages to total loans	54.1	54.4	54.8	55.0	54.0
Loan impairments					
NPLs to total loans (net)	5.7	5.4	5.3	5.3	5.7
NPLs to regulatory capital	22.5	21.9	21.3	22.2	22.0
Net charge-offs to total loans (annualised)	0.1	-0.2	0.0	0.3	0.2
Loan provisioning					
Provisions to gross NPLs	25.4	26.3	27.4	25.7	25.8
Specific provisions to gross NPLs	24.2	24.2	26.0	24.4	24.6
Provisions to total loans (net)	1.8	1.8	1.9	1.7	1.9

SECTORAL DISTRIBUTION OF LOANS

Chart III shows the distribution of lending to different sectors over the last five quarters.

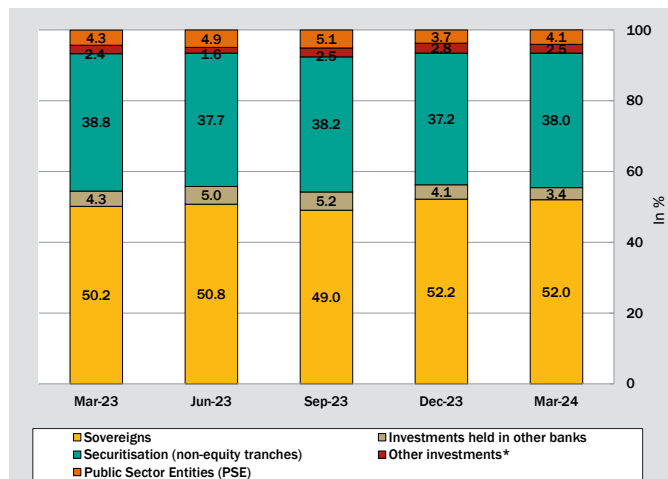
Chart III: Sectoral Distribution of Loans and Advances



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.

The share of sovereign securities was marginally lower, falling to 52.0% of total investments for the quarter. Securitised (non-equity tranche) investments increased by 0.8 percentage points to 38.0% of total investments. Other asset classes also experienced some changes, with PSE investments increasing 0.4 percentage points to 4.1%, while investments in other banks dropped 0.7 percentage points to 3.4% and other investments declined by 0.3 percentage points to 2.5%.

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

	2024	2023			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Cash and cash equivalents to total assets	15.4	11.3*	13.6	10.5	11.9
Cash and cash equivalents to total deposit liabilities	17.3	12.9	15.3	11.8	13.3
LTD ratio	38.8	40.7	39.5	41.5	41.3
Loans-to-total assets	34.4	35.7*	35.1	36.8	36.9
Funding gap**	-54.4	-52.1*	-53.7	-51.9	-52.7

*Revised

**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

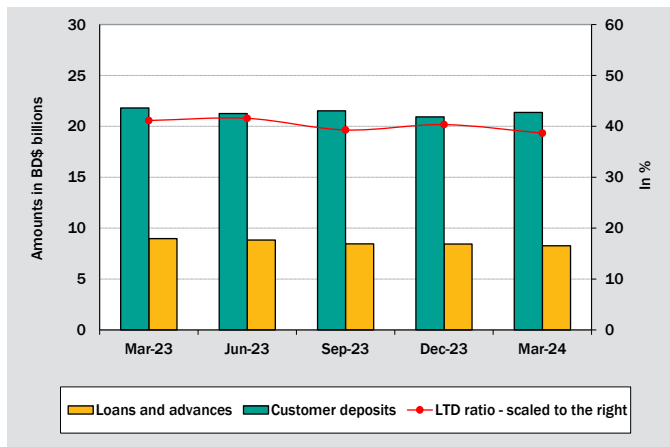


Table VI is a summary of profitability ratios for the sector for the last five quarters.

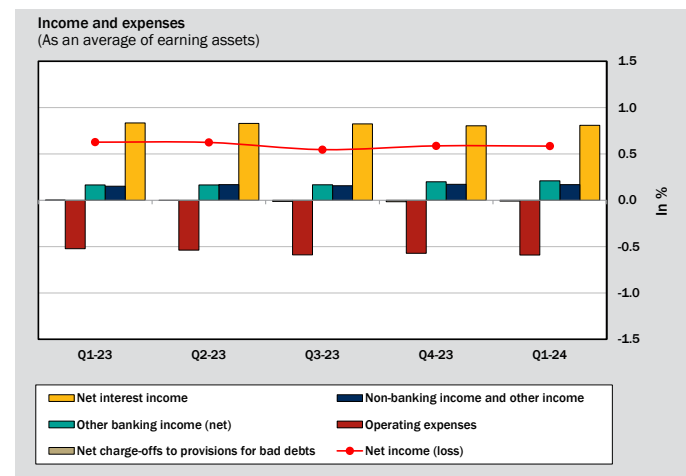
Table VI: Structure of Income Statement

	2024	2023			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Net interest income to total income	68.2	68.4	71.8	71.3	72.6
Annualised net interest income to average earning assets	3.3	3.3	3.4	3.3	3.4
Annualised interest income to average earning assets	4.5	4.4	4.4	4.2	4.1
Banking income to total income	85.8	85.4	86.4	85.5	86.9
Non-interest income to total income	31.8	31.6	28.2	28.7	27.4
Non-interest expenses to total income (efficiency ratio)	50.7	50.0	52.4	46.3	45.4
Staff costs to non-interest expenses	49.7	53.0	54.4	51.8	52.3
RoA	0.6	1.0*	0.6	0.7	0.7
RoA (annualised)	2.3	3.9*	2.3	2.6	2.6
RoE	6.6	10.7*	7.0	7.9	7.9
RoE (annualised)	29.1	50.1*	31.3	35.6	35.6

*Revised

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 profit after tax was \$134.8 million, representing a 38.9% (or \$85.9 million) drop from the previous quarter. However, this was due mainly to the adjustment in Q4 2023 related to the impact of implementing Bermuda's Corporate Income Tax. Excluding this one-time adjustment, the net profit after tax in Q1 2024 only declined by 2.0%.

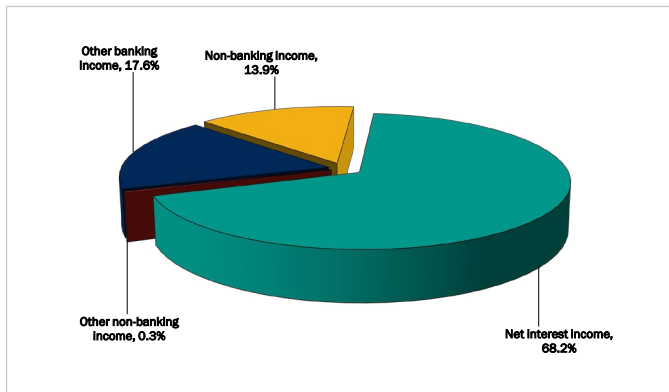
Net interest income increased slightly from the prior quarter, reaching \$187.6 million. Non-interest income amounted to \$87.6 million, an increase of 1.4% (or \$1.2 million) compared to the previous quarter. Total income for the quarter was \$275.2 million, a rise of 0.6% (or \$1.6 million) from the previous quarter.

Total operating and non-operating expenses for the quarter amounted to \$139.6 million, which was 2.0% (or \$2.8 million) higher than the previous quarter.

The sector's efficiency ratio increased slightly, rising by 0.7 percentage points to 50.7% compared to the previous quarter.

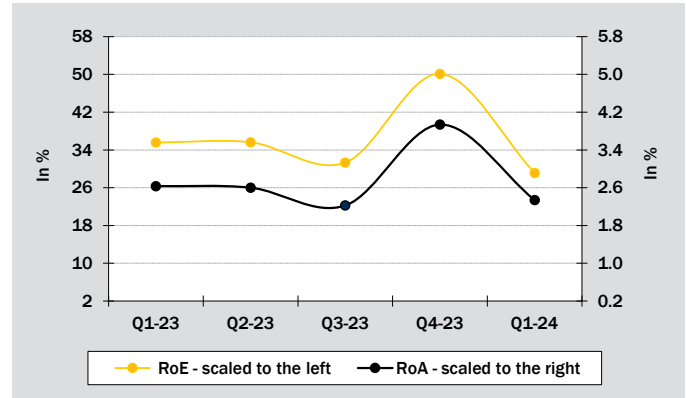
Chart VII shows the distribution of income sources during the quarter.

Chart VII: Distribution of Income Sources



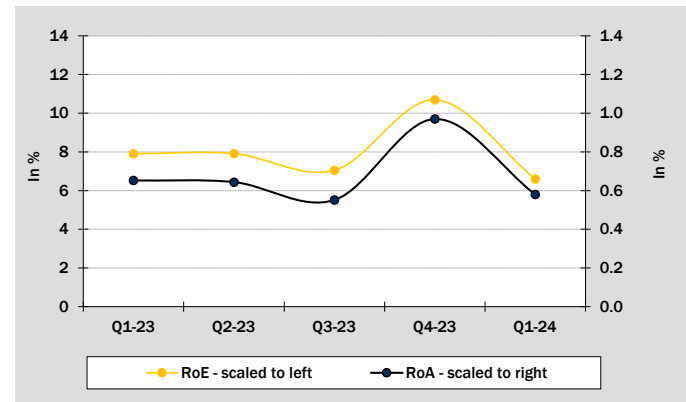
Charts VIII and IX show the trend in RoE and RoA over the last five quarters.

Chart VIII: Annualised RoE and RoA



*Revised Q4-23

Chart IX: Quarterly RoE and RoA



*Revised Q4-23

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

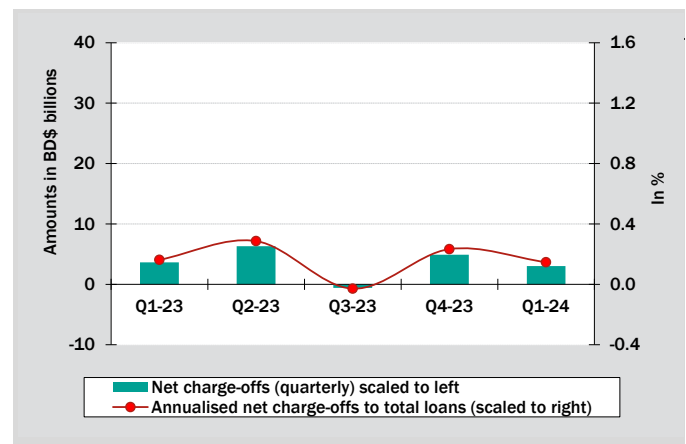


Table VII shows the aggregate FX balance sheet of the sector over the last five quarters.

Table VII: FX Balance Sheet Extract

(BD\$ billions)	2024	2023				Change (in %)	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	-	-
Deposits (interbank)	3.5	2.5	3.2	2.3	2.7	40.0	29.6
Loans and advances	5.6	5.7	5.7	6.1	6.2	-1.8	-9.7
Investments	11.3	11.6	11.4	11.7	11.7	-2.6	-3.4
Other assets	0.5	0.7*	0.6	0.5	0.4	-28.6	25.0
Total assets	21.0	20.6*	21.0	20.7	21.1	1.9	-0.5
Deposit liabilities	17.4	17.0	17.6	17.4	17.9	2.4	-2.8

*Revised

Total FX assets amounted to \$21.0 billion, up 1.9% (or \$0.4 billion) from the previous quarter. The main driver was the 40.0% (or \$1.0 billion) increase in interbank deposits from the previous quarter.

FX customer deposits were \$17.4 billion, up 2.4% (or \$0.4 billion) from last quarter and down 2.8% (or \$0.5 billion) from a year ago. The quarterly increase resulted from increased FX time deposits (up 7.0% or \$0.3 billion) to \$4.6 billion and FX savings deposits (up 4.2% or \$0.2 billion) to \$5.0 billion. Conversely, there was a slight decrease in FX demand deposits, which fell by 1.3% (or \$0.1 billion) to \$7.8 billion over the same period.

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

Table VIII: FX Positions

	2024	2023			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
FX-denominated assets to total assets	87.1	86.6*	86.8	86.6	86.5
FX-denominated loans to total loans	67.5	67.1	67.1	69.3	68.9
FX-denominated deposits to total deposits	81.3	81.3	81.9	82.1	82.1
Changes in FX assets	1.9	-1.9*	1.4	-1.9	-7.0
Changes in FX loans and advances	-1.8	0.0	-6.6	-1.6	0.0
Changes in FX customer deposits	2.4	-3.4	1.1	-2.8	-9.1

*Revised

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

Table IX: Net FX Position

(BD\$ billions)	2024	2023			
	Mar	Dec	Sep	Jun	Mar
Total FX assets	21.0	20.6*	21.0	20.7	21.1
Less: other assets	0.5	0.6	0.6	0.5	0.4
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9
Adjusted FX assets	19.6	19.1*	19.5	19.3	19.8
FX liabilities**	17.8	17.5	18.2	17.9	18.2
Add: BD\$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	17.9	17.6	18.3	18.0	18.3
Net FX position	1.7	1.5*	1.2	1.3	1.5

*Revised

**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)

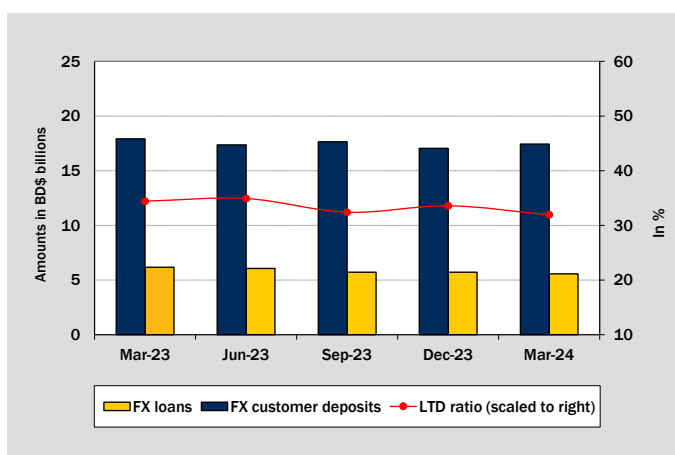
	2024	2023			
	Mar	Dec	Sep	Jun	Mar
	%	%	%	%	%
Cash and cash equivalents to total assets	17.1	12.6*	15.7	11.6	13.3
Cash and cash equivalents to total deposit liabilities	20.7	15.3	18.8	13.9	15.6
LTD ratio	32.2	33.5	32.4	35.1	34.6
Loans to total assets	26.7	27.7*	27.1	29.5	29.4
Funding gap**	-56.2	-54.9*	-56.7	-54.6	-55.5

*Revised

**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)	2024	2023				Change (in %)	
	Mar	Dec	Sep	Jun	Mar	QoQ	YoY
Loans and advances	2.8	2.8	2.8	2.9	2.9	-	-3.4
Total assets	3.6	3.6	3.6	3.6	3.6	-	-
Deposit liabilities	3.9	3.9	3.9	3.9	3.9	-	-

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.

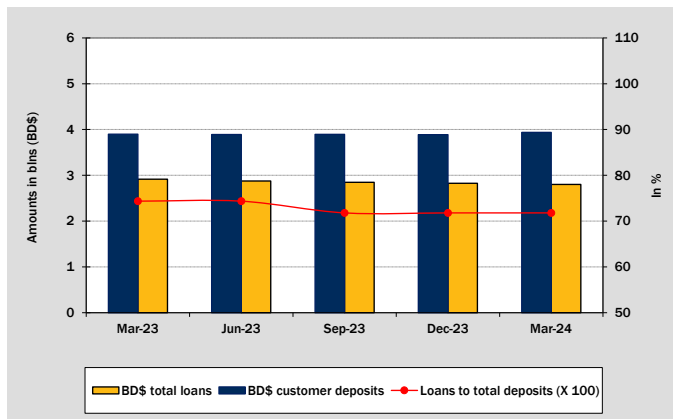
Table XII: Liquidity Indicators (BD\$ Positions)

	2024	2023			
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	2.5	2.6	2.7	2.5	2.3
Cash and cash equivalents to total deposit liabilities	2.3	2.4	2.5	2.3	2.2
LTD ratio	71.8	71.8	71.8	74.4	74.4
Loans to total assets	77.8	77.8	77.8	80.6	80.6
Funding gap to total assets*	-30.6	-30.6	-30.6	-27.8	-27.8

*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)	2024	2023			
	Mar	Dec	Sep	Jun	Mar
Notes and coins in circulation	185	182	193	191	187
Deposit liabilities	3,936	3,888	3,894	3,889	3,896
Banks and deposit companies	4,121	4,070	4,087	4,080	4,083
Less: cash at banks and deposit companies	66	70	72	68	66
BD\$ money supply	4,055	4,000	4,015	4,012	4,017
% Growth on previous period	1.4	-0.4	0.1	-0.1	1.4
% Growth YoY	0.9	1.0	-0.7	-2.6	-2.7

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

The supply of money within the local economy increased by 1.4% for the quarter, largely due to growth in domestic customer deposits, which rose by 1.2% to \$3.9 billion.

SELECTED INTERNATIONAL BANKING DEVELOPMENTS

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

Basel Committee on Banking Supervision (BCBS)

In April, the BCBS issued revised Core Principles for effective banking supervision. The revisions introduce several key changes to enhance the effectiveness of banking supervision worldwide.

<https://www.bis.org/bcbs/publ/d573.pdf>

In March, the BCBS published a consultative document setting out proposed amendments to its assessment methodology for global systemically important banks (G-SIB). The proposed changes are intended to address 'window-dressing' behaviour by some banks in the context of the G-SIB framework.

<https://www.bis.org/bcbs/publ/d571.pdf>

In March, the BCBS published its latest monitoring report looking at the impact of the Basel III framework based on data as of 30 June 2023.

<https://www.bis.org/bcbs/publ/d570.pdf>

Bank of England (BoE)

In January, the BoE published a working paper on the main techniques for resolving large banks and containing the systemic consequences which could arise from their failure.

<https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2024/principles-and-techniques-to-resolve-large-banks-whose-failure-could-have-systemic-consequences.pdf>

International Association of Deposit Insurers (IADI)

In April, the IADI published a report that gives an overview of global trends in deposit insurance and highlights some important topics for future consideration.

https://www.iadi.org/index.cfm/_api/render/file/?method=inline&fileID=2CD649C5-155D-4F70-19680B94A10CF075

GLOSSARY

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