Quarterly Banking Digest

Q2-2024

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.

PERFORMANCE HIGHLIGHTS

- The banking sector maintains a sound capital position, with RAR at 26.7% and the leverage ratio at 8.1%.
- The banking sector's total assets decreased by 1.2% to $23.8 billion during the quarter. The decline from the previous quarter was primarily due to a $0.3 billion (or 3.6%) decrease in loans and advances and a $0.1 billion (or 2.8%) decrease in interbank deposits.
- Net after-tax profit for the quarter amounted to $130.8 million, a decrease of $4.0 million (or 3.0%) from the prior quarter.
- The coverage ratio of provisions to Non-Performing Loans (NPLs) rose by 1.8 percentage points to 27.2%, whereas the proportion of non-performing loans relative to total loans marginally decreased by 0.4 percentage points to 5.3%.

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		
	Jun	Mar	Dec	Sep	Jun
Capital position	%	%	%	%	%
Basel III – RAR	26.7	26.1	26.3	25.7	25.5
Basel III – CET1 ratio (minimum 7.0%)	25.3	24.7	24.8	24.2	24.1
Basel III – Leverage ratio (BMA minimum 5.0%)	8.1	8.0	8.1	7.9	8.0
Liquidity					
Cash and cash equivalents to total deposit liabilities	17.0	17.3	12.9	15.3	11.8
Loan-To-Deposit (LTD) ratio	37.7	38.8	40.7	39.5	41.5
Funding gap**	-55.3	-54.4	-52.1	-53.7	-51.9
Profitability					
Net interest income to interest income	71.4	72.9	73.6	76.6	79.6
Return on Assets (RoA)	0.6	0.6	1.0	0.6	0.7
RoA (annualised)	2.3	2.3	3.9	2.3	2.6
Return on Equity (RoE)	6.4	6.6	10.7	7.0	7.9
RoE (annualised)	28.1	29.1	50.1	31.3	35.6
Loan book					
Provisions to NPLs	27.2	25.4	26.3	27.4	25.7
NPLs to total loans	5.3	5.7	5.4	5.3	5.3
NPLs to regulatory capital	20.1	22.5	21.9	21.3	22.2
Other					
Change in Bermuda Dollar (BD$) money supply Quarter-over-Quarter (QoQ)	1.5	1.4	-0.4	0.1	-0.1
Change in assets (QoQ)	-1.2	1.3	-1.7	1.3	-2.0
Change in RWAs (QoQ)	-1.9	0.5	-2.8	-0.3	1.0
Change in customer deposits (QoQ)	-0.9	2.4	-2.8	1.4	-2.6

***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	
	Jun	Mar	Dec	Sep	Jun	QoQ	YoY
Assets						%	%
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	3.5	3.6	2.6	3.2	2.4	-2.8	45.8
Loans and advances (net)	8.0	8.3	8.5	8.5	8.8	-3.6	-9.1
Investments	11.4	11.3	11.6	11.4	11.8	0.9	-3.4
Other assets	0.8	0.8	1.0	1.0	0.8	–	–
Total assets	**23.8**	**24.1**	**23.8**	**24.2**	**23.9**	**-1.2**	**-0.4**
Liabilities							
Savings deposits	6.4	6.5	6.3	7.2	6.7	-1.5	-4.5
Demand deposits	9.2	9.5	9.6	9.4	9.9	-3.2	-7.1
Time deposits	5.6	5.4	5.0	4.9	4.6	3.7	21.7
Total deposits	**21.2**	**21.4**	**20.9**	**21.5**	**21.2**	**-0.9**	**–**
Other liabilities	0.6	0.7	0.8	0.9	0.8	-14.3	-25.0
Total liabilities	**21.8**	**22.1**	**21.7**	**22.4**	**22.0**	**-1.4**	**-0.9**
Equity and subordinated debt	2.0	2.0	2.1	1.8	1.9	–	5.3
Total liabilities and equity	**23.8**	**24.1**	**23.8**	**24.2**	**23.9**	**-1.2**	**-0.4**

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

The banking sector's total assets declined 1.2% (or $0.3 million) during the quarter, consistent with the decline in customer deposits. This decline is reflected in decreased loans and advances, down 3.6% (or $0.3 billion), and interbank deposits, down 2.8% (or $0.1 billion). Conversely, investments increased by 0.9% (or $0.1 billion) over the same period.

Total assets fell by 0.4% (or $0.1 billion) from a year ago. This decline is the net impact of interbank deposits, which increased significantly by 45.8% (or $1.1 billion), offset by reductions in loans and advances, which fell by 9.1% (or $0.8 billion), and investments, which fell by 3.4% (or $0.4 billion).

Total deposit liabilities amounted to $21.2 billion at the end of the quarter, having declined by 0.9% (or $0.2 billion) from the previous quarter. This decrease was reflected in a 3.2% (or $0.3 billion) decline in demand deposits and a 1.5% (or $0.1 billion) decline in savings deposits. However, time deposits increased by 3.7% (or $0.2 billion), partially offsetting the overall reduction in total deposit liabilities.

Total deposit liabilities remained unchanged at $21.2 billion from a year ago.

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		
	Jun	Mar	Dec	Sep	Jun
Asset allocation	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	47.9	46.9	48.7	47.1	49.4
Loans and advances	33.6	34.4	35.7	35.1	36.8
Deposits (interbank)	14.7	15.0	10.9	13.2	10.0
Other assets	3.4	3.3	4.2	4.1	3.3
Deposits allocation					
Savings	30.2	30.4	30.1	33.5	31.6
Demand	43.4	44.4	45.9	43.7	46.7
Time	26.4	25.2	23.9	22.8	21.7
Capital position					
Basel III – CET1 ratio (minimum 7.0%)	25.3	24.7	24.8	24.2	24.1
Basel III – RAR	26.7	26.1	26.3	25.7	25.5
Basel III – Leverage ratio	8.1	8.0	8.1	7.9	8.0

CAPITAL ADEQUACY

The capital adequacy and leverage metrics remain well above the minimum regulatory standards. The banking sector's RAR increased to 26.7%, and the CET1 ratio rose to 25.3%, with each growing by 0.6 percentage points over the quarter. The leverage ratio increased by 0.1 percentage point during the quarter to close at 8.1%.

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

Chart I: RAR and Leverage Ratio

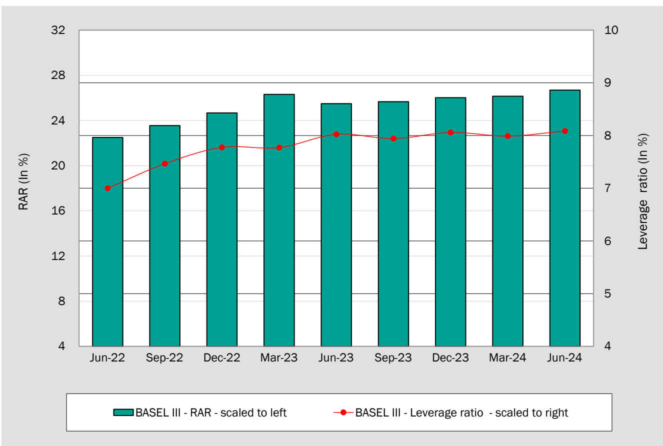
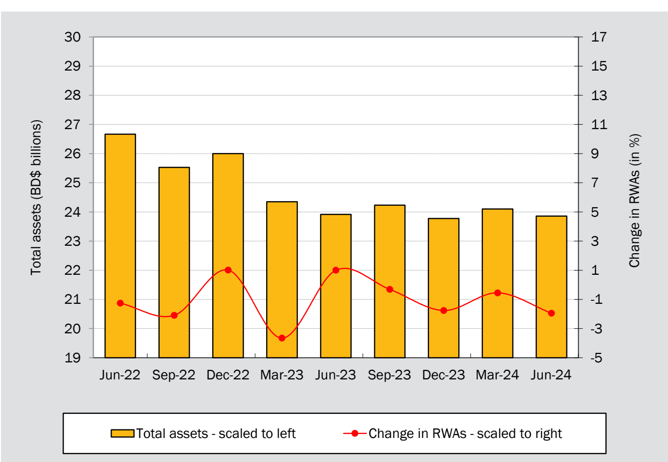


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

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.

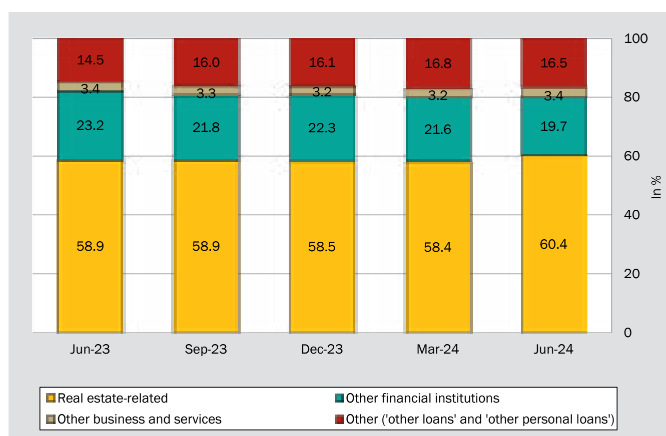
Table IV: Quality of the Loan Book

	2024		2023		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
Loans and advances QoQ growth rate	-3.6	-2.4	0.0	-3.4	-2.2
Residential mortgages to total loans	55.8	54.1	54.4	54.8	55.0
Loan impairments					
NPLs to total loans (net)	5.3	5.7	5.4	5.3	5.3
NPLs to regulatory capital	20.1	22.5	21.9	21.3	22.2
Net charge-offs to total loans (annualised)	0.1	0.1	-0.2	0.0	0.3
Loan provisioning					
Provisions to gross NPLs	27.2	25.4	26.3	27.4	25.7
Specific provisions to gross NPLs	26.0	24.2	24.2	26.0	24.4
Provisions to total loans (net)	1.9	1.8	1.8	1.9	1.7

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

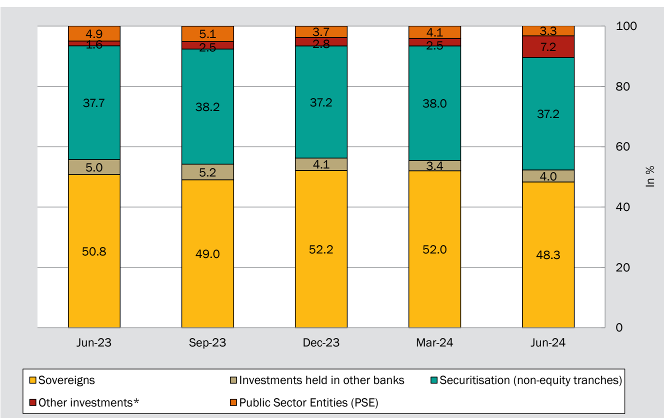


The distribution of loans and advances continues to be mainly concentrated in the real estate sector, which increased by 2.0 percentage points to 60.4% of the total outstanding loans for the quarter. The proportion of loans to other financial institutions decreased by 1.9 percentage points, representing 19.7% of the outstanding loans. Marginal declines were observed in all other sectors during this 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.*

Investments in sovereigns account for 48.3% of total investments, a decline of 3.7 percentage points from the previous quarter. Conversely, investments in other assets rose by 4.7 percentage points to 7.2% of total investments. The other asset categories displayed minimal change during the quarter.

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		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
Cash and cash equivalents to total assets	15.1	15.4	11.3	13.6	10.5
Cash and cash equivalents to total deposit liabilities	17.0	17.3	12.9	15.3	11.8
LTD ratio	37.7	38.8	40.7	39.5	41.5
Loans-to-total assets	33.6	34.4	35.7	35.1	36.8
Funding gap*	-55.5	-54.4	-52.1	-53.7	-51.9

**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

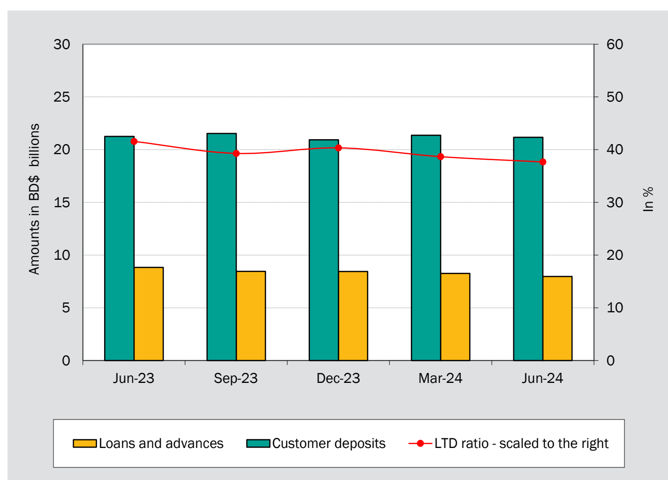


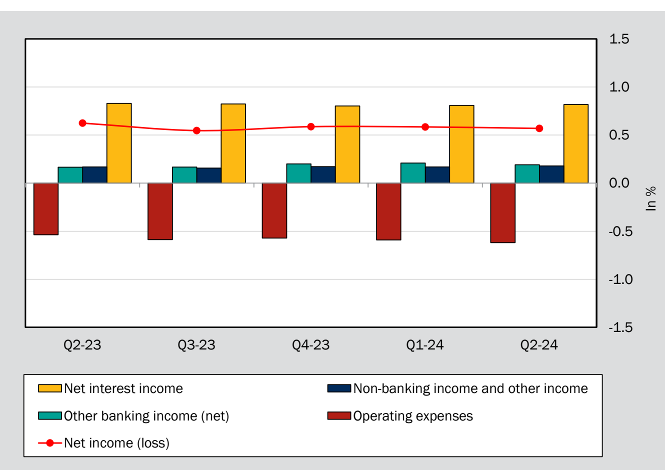
Table VI is a summary of profitability ratios for the sector for the last five quarters.

Table VI: Structure of Income Statement

	2024		2023		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
Net interest income to total income	68.9	68.2	68.4	71.8	71.3
Annualised net interest income to average earning assets	3.3	3.3	3.3	3.4	3.3
Annualised interest income to average earning assets	4.7	4.5	4.4	4.4	4.2
Banking income to total income	84.9	85.8	85.4	86.4	85.5
Non-interest income to total income	31.1	31.8	31.6	28.2	28.7
Non-interest expenses to total income (efficiency ratio)	52.1	50.7	50.0	52.4	46.3
Staff costs to non-interest expenses	49.8	49.7	53.0	54.4	51.8
RoA	0.6	0.6	1.0	0.6	0.7
RoA (annualised)	2.3	2.3	3.9	2.3	2.6
RoE	6.4	6.6	10.7	7.0	7.9
RoE (annualised)	28.1	29.1	50.1	31.3	35.6

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
(As an average of earning assets)



BANKING SECTOR PROFITABILITY

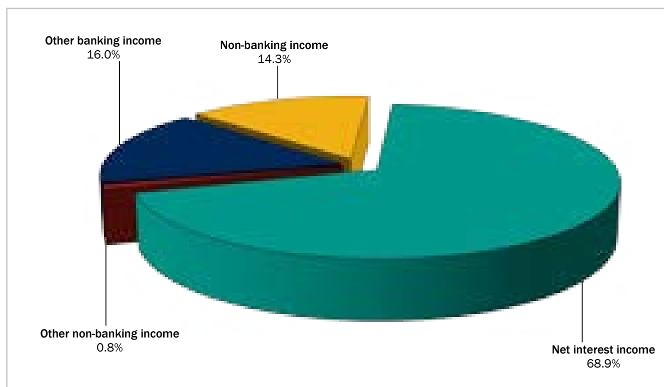
The banking sector's net profit after tax amounted to $130.8 million, a 3.0% (or $4.0 million) decline compared to the previous quarter. Net interest income slightly increased by 0.9% to $189.3 million, while non-interest income totalled $85.4 million, a 2.5% (or $2.2 million) decrease from the last quarter. Total income for the quarter was $274.7 million, representing a marginal decline of 0.2% (or $0.5 million).

The total expenses for the quarter, including operating and non-operating costs, were $143.1 million, up by 2.5% or $3.5 million from the previous quarter.

The sector's efficiency ratio increased slightly, rising by 1.4 percentage points to 52.1% 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 IX: Annualised RoE and RoA

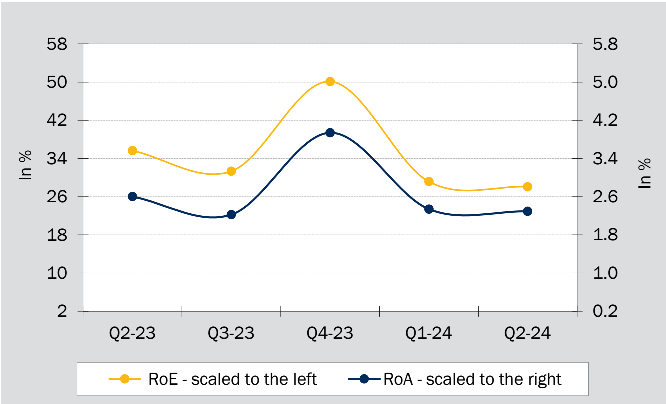


Chart VIII: Quarterly RoE and RoA

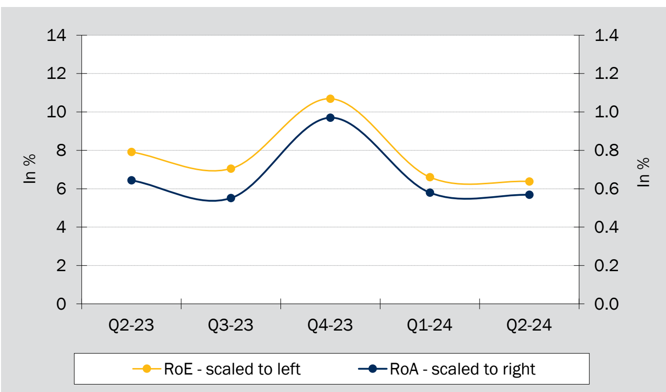


Chart X: Net Charge-off and Proportion of Annualised Charge-offs to Total Loans

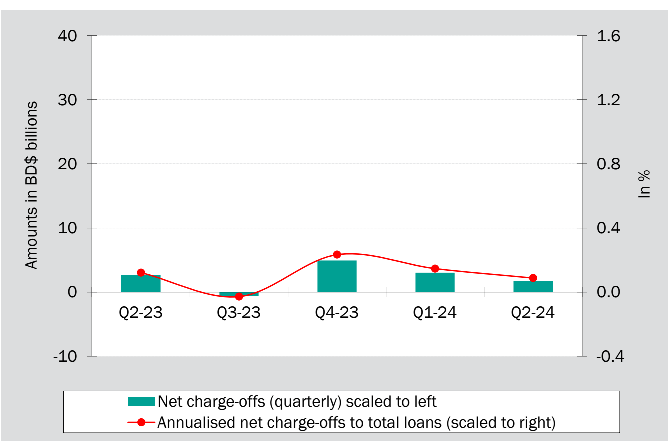


Table VII shows an extract of the banking sector's aggregate FX balance sheet for the last five quarters.

Table VII: FX Balance Sheet Extract

(BD$ billions)	2024		2023			Change (in %)	
	Jun	Mar	Dec	Sep	Jun	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	–	–
Deposits (interbank)	3.4	3.5	2.5	3.2	2.3	-2.9	47.8
Loans and advances	5.3	5.6	5.7	5.7	6.1	-5.4	-13.1
Investments	11.4	11.3	11.6	11.4	11.7	0.9	-2.6
Other assets	0.4	0.5	0.7	0.6	0.5	-20.0	-20.0
Total assets	20.6	21.0	20.6	21.0	20.7	-1.9	-0.5
Deposit liabilities	17.2	17.4	17.0	17.6	17.4	-1.1	-1.1

Total FX assets totalled $20.6 billion, reflecting a 1.9% (or $0.4 billion) decline compared to the prior quarter. This reduction was primarily due to a 5.4% (or $0.3 billion) decrease in loans and advances from the previous quarter.

FX customer deposits totalled $17.2 billion, a decrease of 1.1% (or $0.2 billion) from the previous quarter and the same period last year. This quarterly decline was primarily due to a reduction in FX savings deposits, which fell by 4.0% (or $0.2 billion) to $4.8 billion, and in FX demand deposits, which decreased by 2.6% (or $0.2 billion) to $7.6 billion. Conversely, FX time deposits experienced a modest increase of 4.3% ($0.2 billion), reaching $4.8 billion within the same period.

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

Table VIII: FX Positions

	2024		2023		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
FX-denominated assets to total assets	86.6	87.1	86.6	86.8	86.6
FX-denominated loans to total loans	66.3	67.5	67.1	67.1	69.3
FX-denominated deposits to total deposits	81.1	81.3	81.3	81.9	82.1
Changes in FX assets	-1.9	1.9	-1.9	1.4	-1.9
Changes in FX loans and advances	-5.4	-1.8	0.0	-6.6	-1.6
Changes in FX customer deposits	-1.1	2.4	-3.4	1.1	-2.8

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

Table IX: Net FX Position

(BD$ billions)	2024		2023		
	Jun	Mar	Dec	Sep	Jun
Total FX assets	20.6	21.0	20.6	21.0	20.7
Less: other assets	0.4	0.5	0.7*	0.6	0.5
Less: FX loans to residents	0.9	0.9	0.9	0.9	0.9
Adjusted FX assets	19.3	19.6	19.0*	19.5	19.3
FX liabilities**	17.5	17.8	17.5	18.2	17.9
Add: BD$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	17.6	17.9	17.6	18.3	18.0
Net FX position	1.7	1.7	1.4*	1.2	1.3

**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.

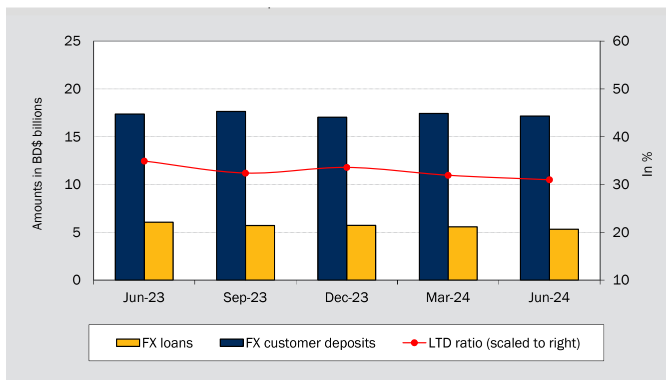
Table X: Liquidity Indicators (FX Positions)

	2024		2023		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
Cash and cash equivalents to total assets	17.0	17.1	12.6	15.7	11.6
Cash and cash equivalents to total deposit liabilities	20.3	20.7	15.3	18.8	13.9
LTD ratio	30.8	32.2	33.5	32.4	35.1
Loans to total assets	25.7	26.7	27.7	27.1	29.5
Funding gap**	-57.8	-56.2	-54.9	-56.7	-54.6

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

Chart XI shows the trends in FX-denominated loans and customer deposits, as well as 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 %)	
	Jun	Mar	Dec	Sep	Jun	QoQ	YoY
Loans and advances	2.8	2.8	2.8	2.8	2.9	–	-3.4
Total assets	3.7	3.6	3.6	3.6	3.6	2.8	2.8
Deposit liabilities	4.0	3.9	3.9	3.9	3.9	2.6	2.6

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.

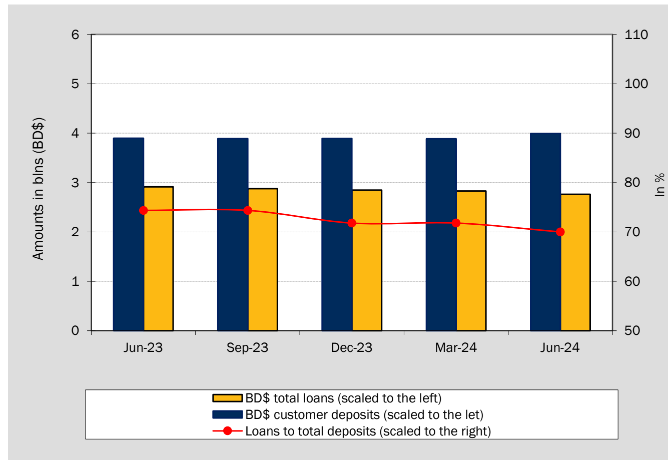
Table XII: Liquidity Indicators (BD$ Positions)

	2024		2023		
	Jun	Mar	Dec	Sep	Jun
	%	%	%	%	%
Cash and cash equivalents to total assets	2.2	2.5	2.6	2.7	2.5
Cash and cash equivalents to total deposit liabilities	2.0	2.3	2.4	2.5	2.3
LTD ratio	70.0	71.8	71.8	71.8	74.4
Loans to total assets	75.7	77.8	77.8	77.8	80.6
Funding gap to total assets*	-32.4	-30.6	-30.6	-30.6	-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		
	Jun	Mar	Dec	Sep	Jun
Notes and coins in circulation	175	185	182	193	191
Deposit liabilities	3,995	3,936	3,888	3,894	3,889
Banks and deposit companies	4,170	4,121	4,070	4,087	4,080
Less: cash at banks and deposit companies	55	66	70	72	68
BD$ money supply	4,115	4,055	4,000	4,015	4,012
% Growth on previous period	1.5	1.4	-0.4	0.1	-0.1
% Growth YoY	2.6	0.9	1.0	-0.7	-2.6

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

The domestic money supply within the local economy rose by 1.5% compared to the previous quarter. This increase can be attributed to a combination of higher customer deposits, which was up 1.5%, and a decrease in the cash reserves held by banks, which was down 16.7%. Over the same period, the circulation of notes and coins dropped by 5.4%.

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 May, the BCBS released a report examining how finance digitalisation affects banks and supervision, highlighting both the benefits and risks of new technologies and the rise of tech-enabled service providers in banking.

https://www.bis.org/bcbs/publ/d575.pdf

In April, the BCBS issued a discussion paper on how climate scenario analysis can be used practically to help strengthen the management and supervision of climate-related financial risks.

https://www.bis.org/bcbs/publ/d572.pdf

In April, the BCBS published its revised *Core Principles for Effective Banking Supervision*, with amendments to certain requirements. Key changes relate to supervisory powers and responsibilities, business model sustainability, and corporate governance and risk management, climate-related financial risks, financial risks and service providers and operational resilience.

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

Bank of England (BoE)

In June, the BoE published its 2024 desk-based exercise to test the resilience of the UK banking system to downside risks. Two hypothetical scenarios include severe but plausible combinations of adverse shocks to the UK and global economies.

https://www.bankofengland.co.uk/stress-testing/2024/stress-testing-uk-banking-system-scenarios-2024-desk-based

Financial Stability Board (FSB)

In April, the FSB published an update of the guidance on the resolution of financial market infrastructures (FMI) and FMI participants.

https://www.fsb.org/uploads/P250424-3.pdf

Single Resolution Board (SRB)

In June, the SRB released a document detailing important aspects of bail-in execution within the Banking Union that are either general in nature or overseen by the SRB.

https://www.srb.europa.eu/system/files/media/document/2024-06-18_Bail-in-SRM-toolkit_1.pdf

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).*