

## 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) ratio 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 a Risk Asset Ratio (RAR) at 26.5%, CET1 ratio at 25.1% and the leverage ratio at 7.8%.
- The total assets reported were \$23.6 billion, a decrease of \$0.4 billion over the quarter. This is attributed to decreases in interbank deposits of \$1.1 billion (or 31.4%) and other assets of \$0.1 billion (or 12.5%), which was partially offset by an increase of \$0.8 billion (or 6.8%) in investments.
- Net profit after-tax for the quarter amounted to \$48.2 million, representing a decrease of \$90.5 million (or 65.2%) from the previous quarter. This decrease is mainly due to the reversal of deferred tax assets recognised in 2023, following the introduction of Bermuda's Corporate Income Tax.
- The Non-Performing Loans (NPLs) to total loans ratio improved to 4.9%, a movement of 0.6 percentage points from the prior quarter.

## 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
	Dec	Sep	Jun	Mar	Dec
<b>Capital position</b>	%	%	%	%	%
Basel III – RAR	26.5	25.6	26.7	26.1	26.3
Basel III – CET1 ratio (minimum 7.0%)	25.1	24.2	25.3	24.7	24.8
Basel III – Leverage ratio (BMA minimum 5.0%)	7.8	7.7	8.1	8.0	8.1
<b>Liquidity</b>					
Cash and cash equivalents to total deposit liabilities	11.9	17.0	17.0	17.3	12.9
Loan-To-Deposit (LTD) ratio	37.6	37.3	37.7	38.8	40.7
Funding gap*	-55.5	-55.4	-55.5	-54.4	-52.1
<b>Profitability</b>					
Net interest income to interest income	72.0	71.2	71.4	72.9	73.6
Return on Assets (RoA)	0.2	0.6	0.6	0.6	1.0
RoA (annualised)	0.8	2.4	2.3	2.3	3.9
Return on Equity (RoE)	2.5	6.7	6.4	6.6	10.7
RoE (annualised)	10.5	29.4	28.1	29.1	50.1
<b>Loan book</b>					
Provisions to NPLs	25.7	24.8	27.2	25.4	26.3
NPLs to total loans	4.9	5.5	5.3	5.7	5.4
NPLs to regulatory capital	19.2	21.5	20.1	22.5	21.9
<b>Other</b>					
Change in Bermuda Dollar (BD\$) money supply Quarter-over-Quarter (QoQ)	-0.9	0.9	1.5	1.4	-0.4
Change in assets (QoQ)	-1.7	0.8	-1.2	1.3	-1.7
Change in RWAs (QoQ)	-3.0	0.3	-1.9	0.5	-2.8
Change in customer deposits (QoQ)	-0.9	0.0	-0.9	2.4	-2.8

\*The negative funding gap indicates that deposits exceed loans.  
QoQ – percentage change from the prior quarter.

## AGGREGATE BALANCE SHEET

Table II summarises key balance sheet trends in the banking sector.

**Table II: Aggregate Balance Sheet**

(BD\$ billions)	2024				2023	Change	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
<b>Assets</b>						%	%
Cash	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Deposits (interbank)	2.4	3.5	3.5	3.6	2.6	-31.4	-7.7
Loans and advances (net)	7.9	7.9	8.0	8.3	8.5	0.0	-7.0
Investments	12.5	11.7	11.4	11.3	11.6	6.8	7.8
Other assets	0.7	0.8	0.8	0.8	1.0	-12.5	-30.0
<b>Total assets</b>	<b>23.6</b>	<b>24.0</b>	<b>23.8</b>	<b>24.1</b>	<b>23.8</b>	<b>-1.7</b>	<b>-0.8</b>
<b>Liabilities</b>							
Savings deposits	5.8	6.0	6.4	6.5	6.3	-3.3	-7.9
Demand deposits	9.3	9.4	9.2	9.5	9.6	-1.1	-3.1
Time deposits	5.9	5.8	5.6	5.4	5.0	1.7	18.0
<b>Total deposits</b>	<b>21.0</b>	<b>21.2</b>	<b>21.2</b>	<b>21.4</b>	<b>20.9</b>	<b>-0.9</b>	<b>0.5</b>
Other liabilities	0.7	0.7	0.6	0.7	0.8	0.0	-12.5
<b>Total liabilities</b>	<b>21.7</b>	<b>21.9</b>	<b>21.8</b>	<b>22.1</b>	<b>21.7</b>	<b>-0.9</b>	<b>0.0</b>
Equity and subordinated debt	1.9	2.1	2.0	2.0	2.1	-9.5	-9.5
<b>Total liabilities and equity</b>	<b>23.6</b>	<b>24.0</b>	<b>23.8</b>	<b>24.1</b>	<b>23.8</b>	<b>-1.7</b>	<b>-0.8</b>

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

QoQ – percentage change from the prior quarter.

Banking sector assets amounted to \$23.6 billion, a decrease of 1.7% (or \$0.4 billion) over the quarter. This net decline was due to a 31.4% (or \$1.1 billion) reduction in interbank deposits and a 12.5% (or \$0.1 billion) decline in other assets, which was partially offset by the 6.8% (or \$0.8 billion) increase in investments.

Total assets decreased by 0.8% (\$0.2 billion) compared to the previous year. This decrease is due to loans and advances decreasing by 7.0% (or \$0.6 billion), other assets decreasing by 30.0% (or \$0.3 billion) and interbank deposits decreasing by 7.7% (or \$0.2 billion). These decreases were partly offset by a 7.8% (or \$0.9 billion) increase in investments.

Total deposit liabilities declined by 0.9% (or \$0.2 billion) from the previous quarter. This net reduction resulted from a 3.3% (or \$0.2 billion) decrease in savings deposits and a 1.1% (or \$0.1 billion) decline in demand deposits, which was partially offset by a 1.7% (or \$0.1 billion) increase in time deposits.

YoY, total deposit liabilities increased by 0.5% (or \$0.1 billion). The net increase was due to an 18.0% (or \$0.9 billion) rise in time deposits, which was partially offset by a 7.9% (or \$0.5 billion) decrease in savings deposits and a 3.1% (or \$0.3 billion) decrease in demand deposits.

## 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
	Dec	Sep	Jun	Mar	Dec
<b>Asset allocation</b>	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	53.0	48.8	47.9	46.9	48.7
Loans and advances	33.5	32.9	33.6	34.4	35.7
Deposits (interbank)	10.1	14.6	14.7	15.0	10.9
Other assets	3.0	3.3	3.4	3.3	4.2
<b>Deposits allocation</b>					
Savings	27.6	28.3	30.2	30.4	30.1
Demand	44.3	44.3	43.4	44.4	45.9
Time	28.1	27.4	26.4	25.2	23.9
<b>Capital position</b>					
Basel III – CET1 ratio (minimum 7.0%)	25.1	24.2	25.3	24.7	24.8
Basel III – RAR	26.5	25.6	26.7	26.1	26.3
Basel III – Leverage ratio	7.8	7.7	8.1	8.0	8.1

## CAPITAL ADEQUACY

The capital adequacy and leverage metrics remain well above the minimum regulatory standards. The banking sector's RAR and CET1 ratios both increased by 0.9 percentage points over the quarter to close at 26.5% and 25.1%, respectively. The leverage ratio increased by 0.1 percentage points during the quarter to close at 7.8%.

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

**Chart I: RAR and Leverage Ratio**

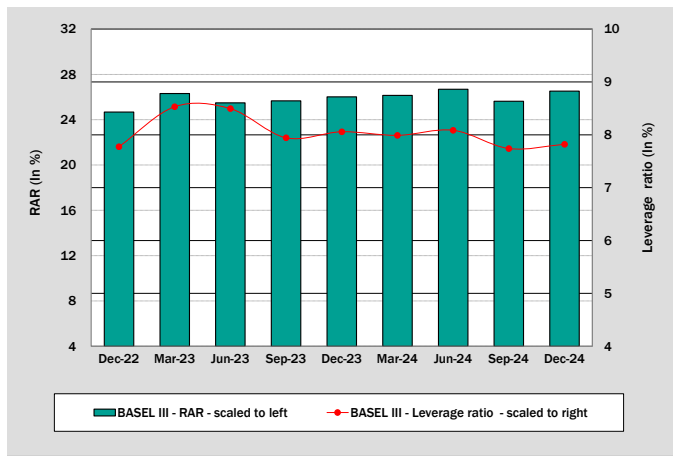
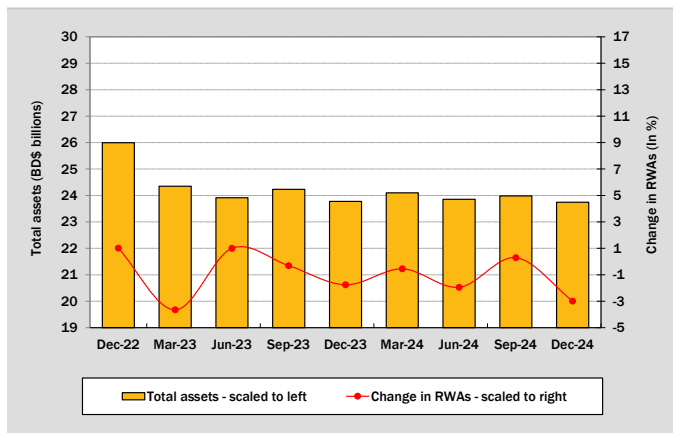


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

**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**

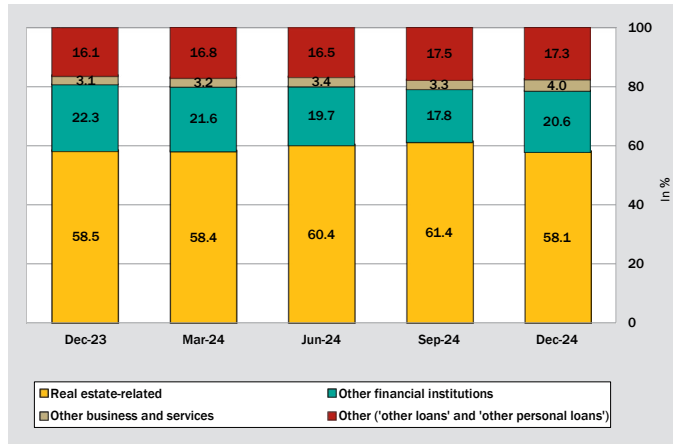
	2024				2023
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Loans and advances QoQ growth rate	0.0	-1.3	-3.6	-2.4	0.0
Residential mortgages to total loans	54.3	56.0	55.8	54.1	54.4
<b>Loan impairments</b>					
NPLs to net loans	4.9	5.5	5.3	5.7	5.4
NPLs to regulatory capital	19.2	21.5	20.1	22.5	21.9
Net charge-offs to total loans (annualised)	0.5	0.4	0.1	0.1	-0.2
<b>Loan provisioning</b>					
Provisions to NPLs	25.7	24.8	27.2	25.4	26.3
Specific provisions to gross NPLs	24.9	24.1	26.0	24.2	24.2

NPLs to total loans decreased by 0.6 percentage points to 4.9%, and the ratio of NPLs to regulatory capital dropped by 2.3 percentage points to 19.2% over the quarter.

## 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

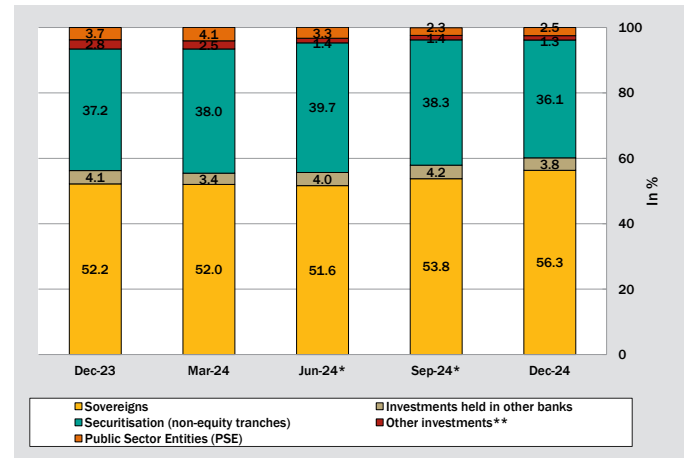


The distribution of loans and advances remained primarily concentrated in the real estate sector, which accounted for 58.1% of the total outstanding loans. This reflected a decrease of 3.3 percentage points from the previous quarter. Personal mortgages accounted for 84.0% of the loans to the real estate sector. Loans to other financial institutions accounted for 20.6% of the outstanding loans, reflecting a 2.8 percentage point increase over the quarter. Lending to other businesses and services grew by 0.7 percentage points to 4.0% of outstanding loans, while lending to other sectors was down 0.2 percentage points to 17.3% over the quarter.

## 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



\*Revised

\*\*Includes other investments and investments in subsidiaries and associated companies.

During the quarter, investments in sovereign securities increased by 2.5 percentage points to 56.3% of the total investment portfolio. Investments in securitised instruments accounted for 36.1% of total investments, a 2.2 percentage point decline from the previous quarter. The distribution to all other investment categories showed minimal changes from the prior quarter.

The revisions to the Q2 and Q3 2024 sectoral distributions are due to some securities being reclassified from the 'Other Investments' category to the 'Sovereigns' category'.

## 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
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	10.6	15.0	15.1	15.4	11.3
Cash and cash equivalents to total deposit liabilities	11.9	17.0	17.0	17.3	12.9
LTD ratio	37.6	37.3	37.7	38.8	40.7
Loans-to-total assets	33.5	32.9	33.6	34.4	35.7
Funding gap*	-55.5	-55.4	-55.5	-54.4	-52.1

\*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**

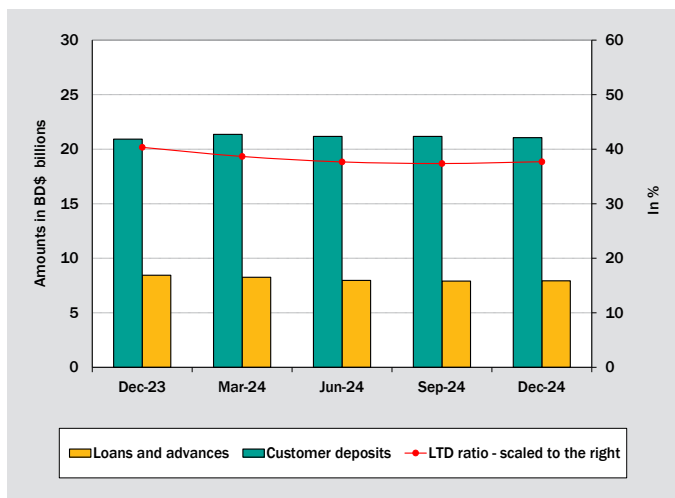


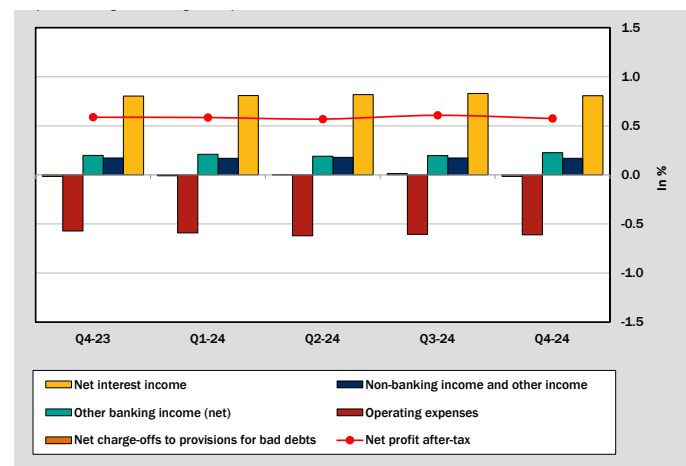
Table VI is a summary of profitability ratios for the sector for the last five quarters.

**Table VI: Structure of Income Statement**

	2024				2023
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Net interest income to total income	67.1	69.2	68.9	68.2	68.4
Annualised net interest income to average earning assets	3.3	3.4	3.3	3.3	3.3
Annualised interest income to average earning assets	4.5	4.7	4.7	4.5	4.4
Banking income to total income	86.0	85.6	84.9	85.8	85.4
Non-interest income to total income	32.9	30.8	31.1	31.8	31.6
Non-interest expenses to total income (efficiency ratio)	52.2	49.4	52.1	50.7	50.0
Staff costs to non-interest expenses	48.5	52.2	49.8	49.7	53.0
RoA	0.2	0.6	0.6	0.6	1.0
RoA (annualised)	0.8	2.4	2.3	2.3	3.9
RoE	2.5	6.7	6.4	6.6	10.7
RoE (annualised)	10.5	29.4	28.1	29.1	50.1

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**  
(As an average of earning assets)



## BANKING SECTOR PROFITABILITY

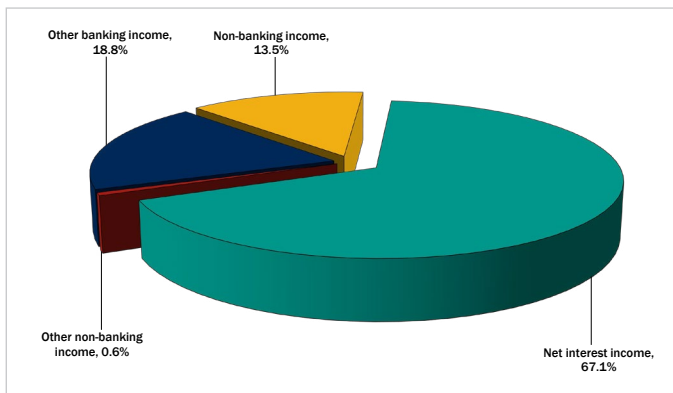
The banking sector reported a net profit after-tax of \$48.2 million, reflecting a 65.3% (or \$90.5 million) decrease compared to the previous quarter. This decrease is mainly due to the reversal of deferred tax assets recognised in 2023, following the introduction of Bermuda's Corporate Income Tax. The net interest income for the quarter was \$186.3 million, down 2.6% (or \$4.9 million), while non-interest income grew by 7.0% (or \$5.9 million) to \$91.2 million over the same period. The total income for the quarter amounted to \$277.6 million, up 0.4% (or \$1.0 million).

The quarter's total expenses, encompassing operating and non-operating costs, amounted to \$144.8 million. This represents an increase of 6.0% (or \$8.2 million) compared to the previous quarter.

The sector's efficiency was up 2.8 percentage points to 52.2% compared to the previous quarter.

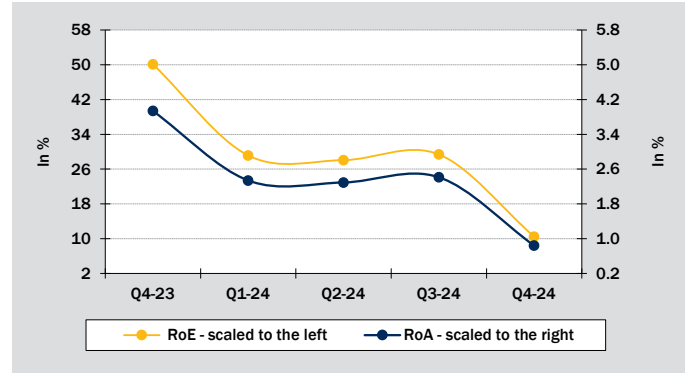
Chart VII shows the distribution of income sources during the quarter.

**Chart VII: Distribution of Income Sources**

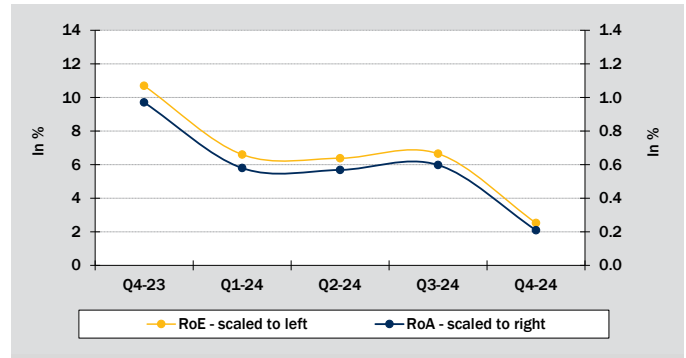


Charts VIII and IX show the trend in RoE and RoA over the last five quarters.

**Chart VIII: Annualised RoE and RoA**

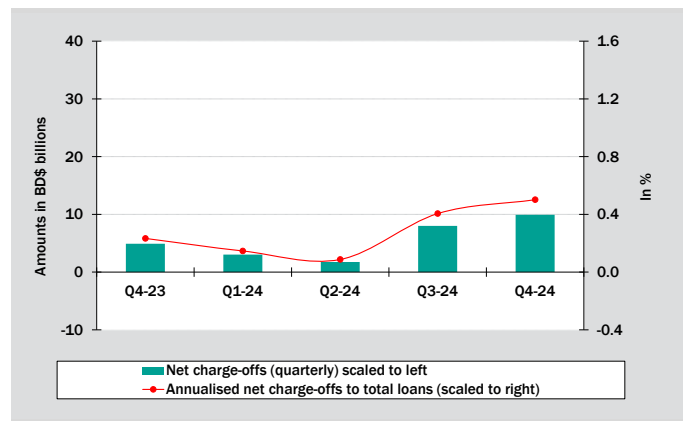


**Chart IX: Quarterly RoE and RoA**



During the quarter, RoE decreased by 4.2 percentage points to 2.5%, while RoA declined by 0.4 percentage points to 0.2% due to the lower net income after tax.

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



During the quarter, banks recorded higher net charge-offs of \$9.9 million.

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 %)	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Deposits (interbank)	2.4	3.5	3.4	3.5	2.5	-31.4	-4.0
Loans and advances	5.3	5.3	5.3	5.6	5.7	0.0	-7.0
Investments	12.5	11.7	11.4	11.3	11.6	6.8	7.8
Other assets	0.4	0.2	0.4	0.5	0.7	100.0	-33.3
Total assets	20.7	20.8	20.6	21.0	20.6	-0.5	0.5
Deposit liabilities	17.1	17.1	17.2	17.4	17.0	0.0	0.6

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

**Table VIII: FX Positions**

	2024				2023
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
FX-denominated assets to total assets	87.7	86.7	86.6	87.1	86.6
FX-denominated loans to total loans	67.1	67.1	66.3	67.5	67.1
FX-denominated deposits to total deposits	81.4	80.7	81.1	81.3	81.3
Changes in FX assets	-0.5	1.0	-1.9	1.9	-1.9
Changes in FX loans and advances	0.0	0.0	-5.4	-1.8	0.0
Changes in FX customer deposits	0.0	-0.6	-1.1	2.4	-3.4

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

**Table IX: Net FX Position**

(BD\$ billions)	2024				2023
	Dec	Sep	Jun	Mar	Dec
Total FX assets	20.7	20.8	20.6	21.0	20.6
Less: other assets	0.4	0.2	0.4	0.5	0.7
Less: FX loans to residents	0.8	0.9	0.9	0.9	0.9
Adjusted FX assets	19.5	19.7	19.3	19.6	19.0
FX liabilities*	17.7	17.6	17.5	17.8	17.5
Add: BD\$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	17.8	17.7	17.6	17.9	17.6
Net FX position	1.7	2.0	1.7	1.7	1.4

\*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.

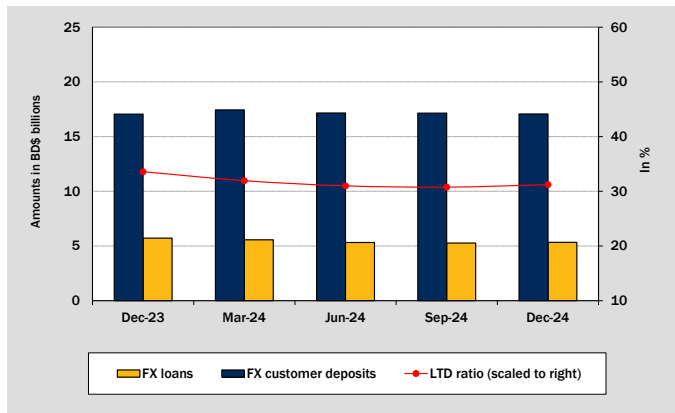
**Table X: Liquidity Indicators (FX Positions)**

	2024				2023
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	12.1	17.3	17.0	17.1	12.6
Cash and cash equivalents to total deposit liabilities	14.6	21.1	20.3	20.7	15.3
LTD ratio	31.0	31.0	30.8	32.2	33.5
Loans to total assets	25.6	25.5	25.7	26.7	27.7
Funding gap*	-57.0	-56.7	-57.8	-56.2	-54.9

\*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 %)	
	Dec	Sep	Jun	Mar	Dec	QoQ	YoY
Loans and advances	2.7	2.7	2.8	2.8	2.8	0.0	-3.6
Total assets	3.5	3.7	3.7	3.6	3.6	-5.4	-2.8
Deposit liabilities	4.0	4.0	4.0	3.9	3.9	0.0	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.

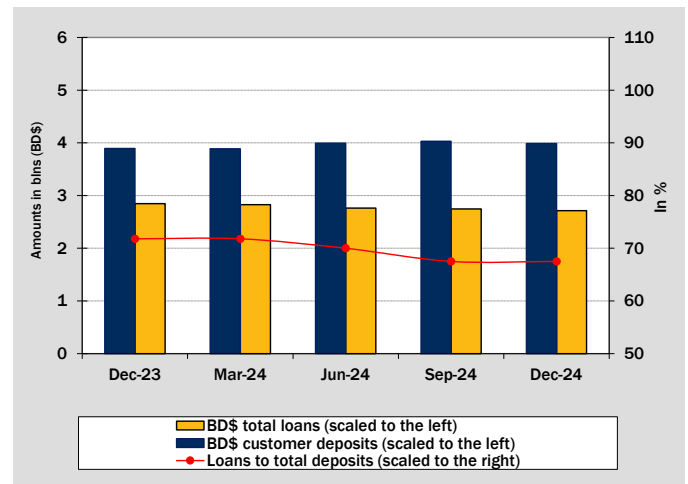
**Table XII: Liquidity Indicators (BD\$ Positions)**

	2024				2023
	Dec	Sep	Jun	Mar	Dec
	%	%	%	%	%
Cash and cash equivalents to total assets	2.0	1.8	2.2	2.5	2.6
Cash and cash equivalents to total deposit liabilities	1.7	1.7	2.0	2.3	2.4
LTD ratio	67.5	67.5	70.0	71.8	71.8
Loans to total assets	77.1	73.0	75.7	77.8	77.8
Funding gap to total assets*	-37.1	-35.1	-32.4	-30.6	-30.6

\*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**



## 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	
	Dec	Sep	Jun	Mar	Dec
Notes and coins in circulation	175	167	175	185	182
Deposit liabilities	3,989	4,031	3,995	3,936	3,888
Banks and deposit companies	4,164	4,198	4,170	4,121	4,070
Less: cash at banks and deposit companies	51	47	55	66	70
BD\$ money supply	4,113	4,151	4,115	4,055	4,000
% Growth on previous period	-0.9	0.9	1.5	1.4	-0.4
% Growth YoY	2.8	3.4	2.6	0.9	1.0

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

The domestic money supply declined slightly by 0.9% to \$4.1 billion compared to the preceding quarter.

## SELECTED INTERNATIONAL BANKING DEVELOPMENTS

This section lists important publications issued by international organisations and national supervisory authorities during the quarter. The listing of a publication does not reflect an endorsement by the BMA.

### Basel Committee on Banking Supervision (BCBS)

In October, the BCBS published a progress report summarising an empirical analysis of liquidity risk dynamics observed during the banking turmoil.

<https://www.bis.org/bcbs/publ/d582.pdf>

### Bank of England (BoE)

In November, the BoE published an updated approach to stress testing the UK banking system.

<https://www.bankofengland.co.uk/stress-testing/2024/boes-approach-to-stress-testing-the-uk-banking-system>

### Financial Stability Board (FSB)

In December, the FSB published its 2024 resolution report, presenting the work that the FSB is undertaking to address the remaining lessons for the resolution framework from the 2023 bank failures.

<https://www.fsb.org/uploads/P051224.pdf>

In October, the FSB published a report summarising findings from the lessons from the March 2023 banking turmoil, including deposit behaviour, interest rates and liquidity risk.

<https://www.fsb.org/uploads/P231024.pdf>

### Prudential Regulatory Authority (PRA)

In September, the PRA published its second near-final policy statement on the implementation of the Basel 3.1 standards for credit risk, the output floor, reporting and disclosure requirements in response to Consultation Paper CP/22.

<https://www.bankofengland.co.uk/prudential-regulation/publication/2024/september/implementation-of-the-basel-3-1-standards-near-final-policy-statement-part-2>

## 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.

***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)).*