



## **BASEL III REQUIREMENTS**

- In 2024, the Bermuda Monetary Authority (Authority or BMA) finalised updates to the regulatory framework for Bermuda banks as part of the implementation of the Basel III reforms. The revised standardised approach for calculating Risk-Weighted Assets (RWAs) for credit risk became effective on 1 January 2024, with a 12-month transition period that ended on 31 December 2024.
- All banks are required to hold a minimum Common Equity Tier 1 (CET1) capital of 7.0% of RWAs. This comprises a minimum CET1 capital requirement of 4.5% and a Capital Conservation Buffer (CCB) at 2.5% of RWAs.
- All banks are required to meet the 100% minimum requirement for the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).
- Banks deemed systemically important to the island's economy are required to maintain a Domestic Systemically Important Bank (D-SIB) buffer. The D-SIB buffer can be up to a maximum of 3.0% of RWAs, depending on the bank's balance sheet size, unique risk profile and the extent of systemic risk posed by the bank.
- All banks are required to always maintain a leverage ratio above 5.0%.

## **PERFORMANCE HIGHLIGHTS**

- The banking sector's capital position improved in the third quarter, with RAR and CET1 ratios both rising by 1.0 percentage points to 28.5% and 28.4%, respectively. The leverage ratio increased slightly to 7.6%.
- Total assets reported for the banking sector increased to \$24.8 billion, rising by 1.2% from the previous quarter, consistent with the growth in deposit liabilities.
- The ratio of Non-Performing Loans (NPLs) to total loans increased marginally to 4.9%, rising by 0.3 percentage points from the previous quarter, while provisions as a percentage of NPLs declined by 1.9 percentage points to stand at 23.3%.

## SUMMARY INDICATORS

Table I summarises selected financial soundness indicators calculated on a consolidated basis.

**Table I: Selected Financial Soundness Indicators**

Ratios	2025			2024	
	Sep	Jun	Mar	Dec	Sep
<b>Capital position</b>	%	%	%	%	%
Basel III – RAR	28.5	27.5	28.3	26.5	25.6
Basel III – CET1 ratio (minimum 7.0%)	28.4	27.4	26.8	25.1	24.2
Basel III – Leverage ratio (BMA minimum 5.0%)	7.6	7.5	7.6	7.8	7.7
<b>Liquidity</b>					
Cash and cash equivalents to total deposit liabilities	14.3	12.7	17.0	11.9	17.0
Loan-To-Deposit (LTD) ratio	35.3	35.9	36.7	37.6	37.3
Funding gap*	-58.5	-57.6	-56.6	-55.5	-55.4
<b>Profitability</b>					
Net interest income to interest income	74.8	74.6	73.6	72.0	71.2
Return on Assets (RoA)	0.5	0.5	0.5	0.2	0.6
RoA (annualised)	2.1	1.9	1.9	0.8	2.4
Return on Equity (RoE)	6.7	6.1	6.0	2.5	6.7
RoE (annualised)	29.8	26.8	26.0	10.5	29.4
<b>Loan book</b>					
Provisions to NPLs	23.3	25.2	23.8	25.7	24.8
NPLs to total loans	4.9	4.6	5.1	4.9	5.5
NPLs to regulatory capital	19.8	19.1	20.4	19.2	21.5
<b>Other</b>					
Change in Bermuda Dollar (BD\$) money supply Quarter-over-Quarter (QoQ)	0.4	0.3	3.2	-0.9	0.9
Change in assets (QoQ)	1.2	0.4	2.5	-1.7	0.8
Change in RWAs (QoQ)	-0.9	-2.3	-7.5	-3.0	0.3
Change in customer deposits (QoQ)	1.8	0.9	3.8	-0.9	0.0

\*The negative funding gap indicates that deposits exceed loans.

Quarter-on-Quarter (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)	2025			2024		Change	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
<b>Assets</b>						%	%
Cash	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Deposits (interbank)	3.1	2.7	3.6	2.4	3.5	14.8	-11.4
Loans and advances (net)	7.9	7.9	8.0	7.9	7.9	0.0	0.0
Investments	13.1	12.9	11.9	12.5	11.7	1.6	12.0
Other assets	0.6	0.9	0.8	0.7	0.8	-33.3	-25.0
<b>Total assets</b>	<b>24.8</b>	<b>24.5</b>	<b>24.4</b>	<b>23.6</b>	<b>24.0</b>	<b>1.2</b>	<b>3.3</b>
<b>Liabilities</b>							
Savings deposits	6.3	6.3	6.2	5.8	6.0	0.0	5.0
Demand deposits	10.7	10.2	10.2	9.3	9.4	4.9	13.8
Time deposits	5.4	5.5	5.4	5.9	5.8	-1.8	-6.9
<b>Total deposits</b>	<b>22.4</b>	<b>22.0</b>	<b>21.8</b>	<b>21.0</b>	<b>21.2</b>	<b>1.8</b>	<b>5.7</b>
Other liabilities	0.5	0.6	0.6	0.7	0.7	-16.7	-28.6
<b>Total liabilities</b>	<b>22.9</b>	<b>22.6</b>	<b>22.4</b>	<b>21.7</b>	<b>21.9</b>	<b>1.3</b>	<b>4.6</b>
Equity and subordinated debt	1.9	1.9	2.0	1.9	2.1	0.0	-9.5
<b>Total liabilities and equity</b>	<b>24.8</b>	<b>24.5</b>	<b>24.4</b>	<b>23.6</b>	<b>24.0</b>	<b>1.2</b>	<b>3.3</b>

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

Quarter-on-Quarter (QoQ) – percentage change from the prior quarter.

The banking sector's total assets were \$24.8 billion, an increase of 1.2% (or \$0.3 billion) over the previous quarter. This is consistent with the growth in deposit liabilities. Interbank deposits grew by 14.8% (or \$0.4 billion) and investments also grew by 1.6% (or \$0.2 billion).

Total assets increased by 3.3% (or \$0.8 billion) compared to the previous year. This growth was evident in the 12.0% (or \$1.4 billion) rise in investments, partially offset by the 25.0% (or \$0.2 billion) decrease in other assets and 11.4% (or \$0.4 billion) reduction in interbank deposits.

Total deposit liabilities increased by 1.8% (or \$0.4 billion) to \$22.4 billion during the quarter, primarily attributable to a 4.9% (or \$0.5 billion) rise in demand deposits. This growth was partially mitigated by a slight decline in time deposits, which decreased by 1.8% (or \$0.1 billion).

YoY, total deposit liabilities rose by 5.7% (or \$1.2 billion). This increase was mainly due to a 13.8% (or \$1.3 billion) rise in demand deposits and a 5.0% (or \$0.3 billion) growth in savings deposits. Conversely, time deposits dropped by 6.9% (or \$0.4 billion), which offset part of the overall gain in total deposit liabilities.

## SUMMARY OF BALANCE SHEET RATIOS

Table III presents ratios providing insight into the relative size and significance of each component of the balance sheet. This table also presents selected capital ratios.

Table III: Summary of Balance Sheet Ratios

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
<b>Asset allocation</b>	%	%	%	%	%
Cash	0.4	0.4	0.4	0.4	0.4
Investments	52.8	52.7	48.8	53.0	48.8
Loans and advances	31.9	32.2	32.8	33.5	32.9
Deposits (interbank)	12.5	11.0	14.8	10.1	14.6
Other assets	2.4	3.7	3.3	3.0	3.3
<b>Deposits allocation</b>					
Savings	28.1	28.6	28.4	27.6	28.3
Demand	47.8	46.4	46.8	44.3	44.3
Time	24.1	25.0	24.8	28.1	27.4
<b>Capital position</b>					
Basel III – CET1 ratio (minimum 7.0%)	28.4	27.4	26.8	25.1	24.2
Basel III – RAR	28.5	27.5	28.3	26.5	25.6
Basel III – Leverage ratio	7.6	7.5	7.6	7.8	7.7

## CAPITAL ADEQUACY

Capital adequacy and leverage ratio remain above the minimum regulatory requirements. The sector's RAR and CET1 increased to 28.5% and 28.4%, respectively, both reflecting a 1.0 percentage point increase from the prior quarter. This improvement was primarily attributable to a 0.9% reduction in RWAs, while CET1 capital increased by 2.8%. Additionally, the leverage ratio increased to 7.6% during the quarter.

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

Chart I: RAR and Leverage Ratio

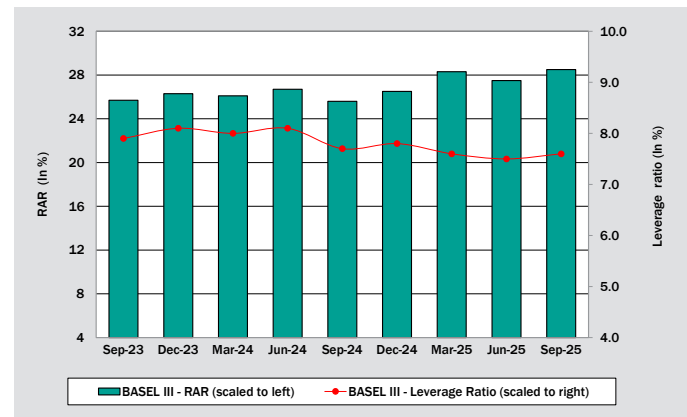
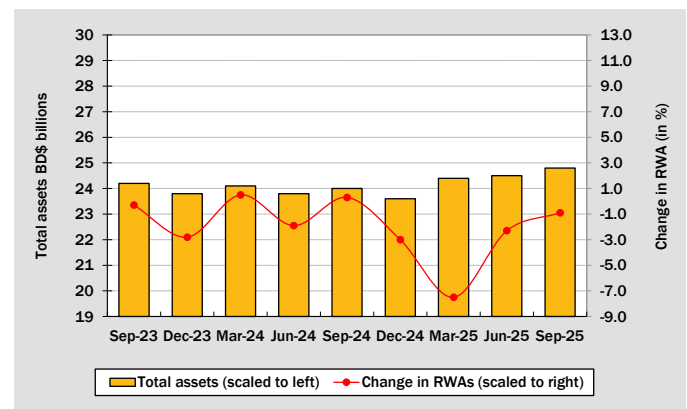


Chart II reflects the movement in total assets and the change in RWAs over the past two years.

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**

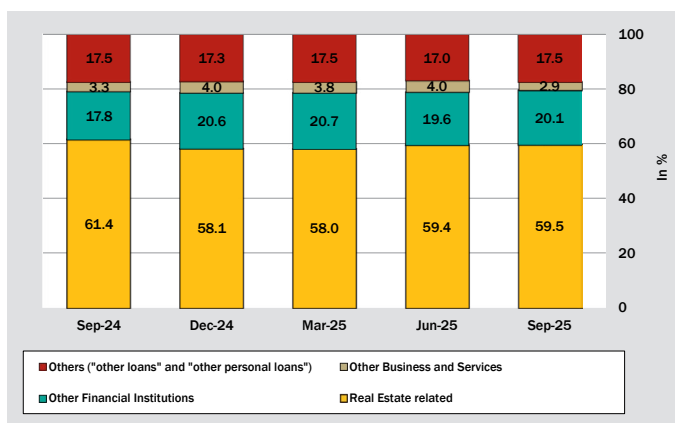
	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Loans and advances QoQ growth rate	0.0	-1.3	1.3	0.0	-1.3
Residential mortgages to total loans	55.2	56.0	54.0	54.3	56.0
<b>Loan impairments</b>					
NPLs to net loans	4.9	4.6	5.1	4.9	5.5
NPLs to regulatory capital	19.8	19.1	20.4	19.2	21.5
Net charge-offs to total loans (annualised)	0.2	0.1	0.3	0.5	0.4
<b>Loan provisioning</b>					
Provisions to NPLs	23.3	25.2	23.8	25.7	24.8

The ratio of NPLs to total loans increased to 4.9%, a 0.3 percentage point increase from the prior quarter. Total provisions as a percentage of NPLs decreased by 1.9 percentage points to 23.3% for the quarter. This reduction was primarily due to banks allocating lower provisions, which declined by 3.8% to \$112 million, while NPLs rose by 3.9% to \$480 million.

## 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**

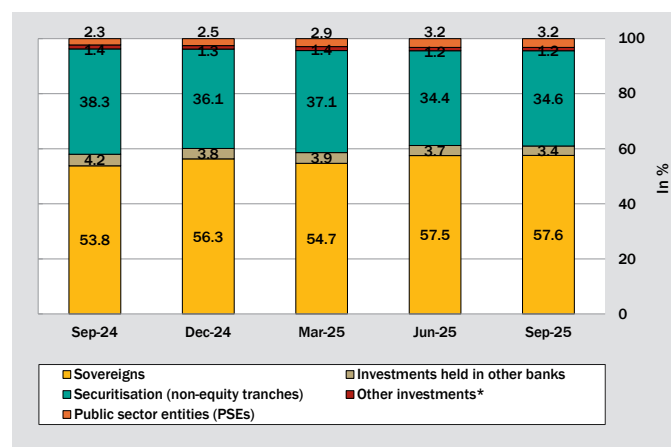


The real estate sector remained dominant, accounting for 59.5% of all outstanding loans. Over the same period, lending to other financial institutions and to other sectors increased to 20.1% and 17.5%, respectively, both up 0.5 percentage points from the prior quarter. Conversely, loans extended to other businesses and services declined by 1.1 percentage points, representing only 2.9% of the total lending portfolio.

## 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 sectoral composition of the investment book remained broadly unchanged, with the proportion of investments in sovereign securities holding steady at 57.6% of the total portfolio for the quarter, reflecting a 3.8 percentage point increase on a YoY basis. Movements in other investment categories were minor over the quarter.

## LIQUIDITY POSITION

Table V shows selected liquidity indicators for the banking sector over the last five quarters.

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

**Table V: Liquidity Indicators**

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	12.9	11.4	15.2	10.6	15.0
Cash and cash equivalents to total deposit liabilities	14.3	12.7	17.0	11.9	17.0
LTD ratio	35.3	35.9	36.7	37.6	37.3
Loans-to-total assets	31.9	32.2	32.8	33.5	32.9
Funding gap*	-58.5	-57.6	-56.6	-55.5	-55.4

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

During the quarter, the banking sector's ratio of cash and cash equivalents to total assets increased by 1.5 percentage points to 12.9%. The improvement was due to a 14.8% (or \$0.4 billion) increase in interbank deposits, whereas changes in other asset categories were minimal during the same period. Additionally, the sectoral loans to deposit ratio was 35.3%, decreasing slightly by 0.6 percentage points from prior quarter.

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

**Chart V: Total Loans and Deposits**

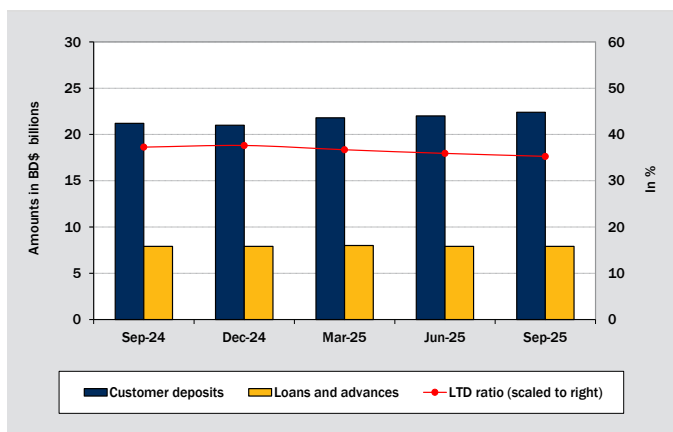


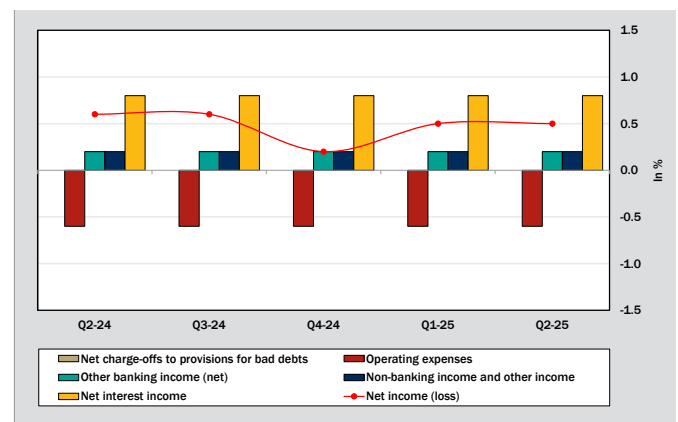
Table VI is a summary of profitability ratios for the sector for the last five quarters.

**Table VI: Structure of Income Statement**

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Net interest income to total income	67.0	68.4	67.7	67.1	69.2
Annualised net interest income to average earning assets	3.2	3.2	3.2	3.3	3.4
Annualised interest income to average earning assets	4.3	4.3	4.3	4.5	4.7
Banking income to total income	85.7	84.8	85.6	86.0	85.6
Non-interest income to total income	33.0	31.6	32.3	32.9	30.8
Non-interest expenses to total income (efficiency ratio)	50.1	53.0	53.0	52.2	49.4
Staff costs to non-interest expenses	52.1	50.4	50.6	48.5	52.2
RoA	0.5	0.5	0.5	0.2	0.6
RoA (annualised)	2.1	1.9	1.9	0.8	2.4
RoE	6.7	6.1	6.0	2.5	6.7
RoE (annualised)	29.8	26.8	26.0	10.5	29.4

Chart VI shows the trend of income statement items over the last five quarters as a percentage of average earning assets.

**Chart VI: Income and Expenses**  
(As an average of earning assets)



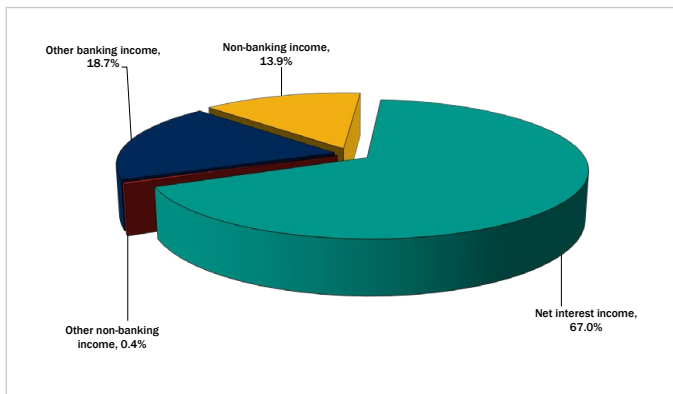
## BANKING SECTOR PROFITABILITY

The banking sector reported a net after-tax profit of \$128.8 million over the quarter, a 10.0% rise from the previous quarter. Net interest income after provisions was \$190.2 million, an increase of 1.1% (or \$2.2 million). Non-interest income reported was \$93.6 million, reflecting a 7.6% (or \$6.7 million) growth from the prior quarter. Total income for the quarter climbed to \$283.8 million, up 3.2% (\$8.8 million) compared to the preceding quarter. Total expenses reported for the quarter amounted to \$142.1 million, representing a decline of 2.5% (or \$3.6 million) compared to the previous quarter.

The sector's efficiency ratio improved during the quarter, as the ratio declined 2.9 percentage points to 50.1%.

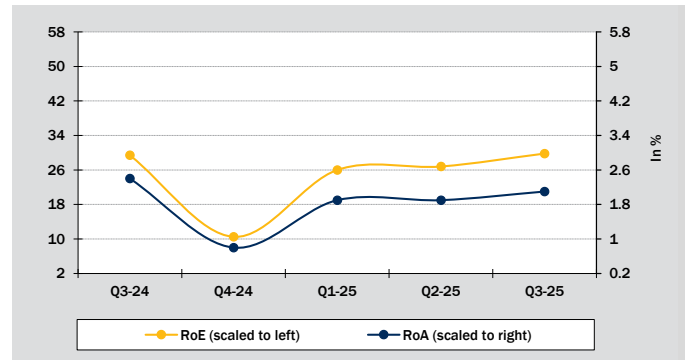
Chart VII shows the distribution of income sources during the quarter.

**Chart VII: Distribution of Income Sources**

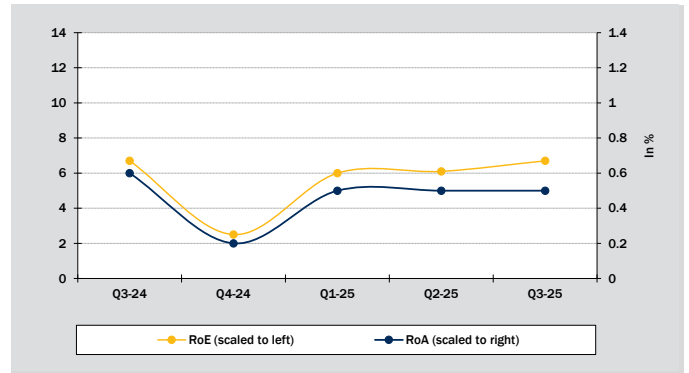


Charts VIII and IX show the trend in RoE and RoA over the last five quarters.

**Chart VIII: Annualised RoE and RoA**



**Chart IX: Quarterly RoE and RoA**



**Chart X: Net Charge-offs and Ratio of Annualised Charge-offs to Loans**

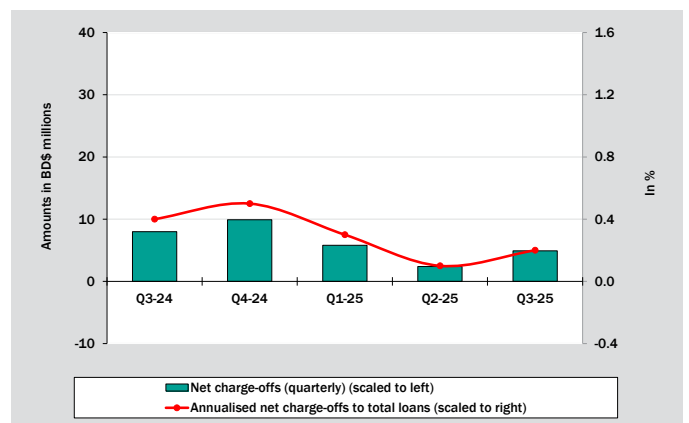


Table VII shows an extract of the banking sector's aggregate foreign currency (FX) balance sheet for the last five quarters.

**Table VII: FX Balance Sheet Extract**

(BD\$ billions)	2025			2024		Change (in %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Cash	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Deposits (interbank)	3.1	2.7	3.6	2.4	3.5	14.8	-11.4
Loans and advances	5.4	5.4	5.4	5.3	5.3	0.0	1.9
Investments	13.1	12.9	11.9	12.5	11.7	1.6	12.0
Other assets	0.4	0.3	0.3	0.4	0.2	33.3	100.0
Total assets	22.1	21.4	21.3	20.7	20.8	3.3	6.3
Deposit liabilities	18.3	17.8	17.7	17.1	17.1	2.8	7.0

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

**Table VIII: FX Positions**

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
FX-denominated assets to total assets	89.1	87.3	87.3	87.7	86.7
FX-denominated loans to total loans	68.4	68.4	67.5	67.1	67.1
FX-denominated deposits to total deposits	81.7	80.9	81.2	81.4	80.7
Changes in FX assets	3.3	0.5	2.9	-0.5	1.0
Changes in FX loans and advances	0.0	0.0	1.9	0.0	0.0
Changes in FX customer deposits	2.8	0.6	3.5	0.0	-0.6

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

**Table IX: Net FX Position**

(BD\$ billions)	2025			2024	
	Sep	Jun	Mar	Dec	Sep
Total FX assets	22.1	21.4	21.3	20.7	20.8
Less: FX other assets	0.4	0.3	0.3	0.4	0.2
Less: FX loans to residents	1.1	1.1	1.2	0.8	0.9
Adjusted FX assets	20.6	20.0	19.8	19.5	19.7
FX liabilities*	18.5	18.0	17.9	17.7	17.6
Add: BD\$ deposits of non-residents	0.1	0.1	0.1	0.1	0.1
Adjusted FX liabilities	18.6	18.1	18.0	17.8	17.7
Net FX position	2.0	1.9	1.8	1.7	2.0

\*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.

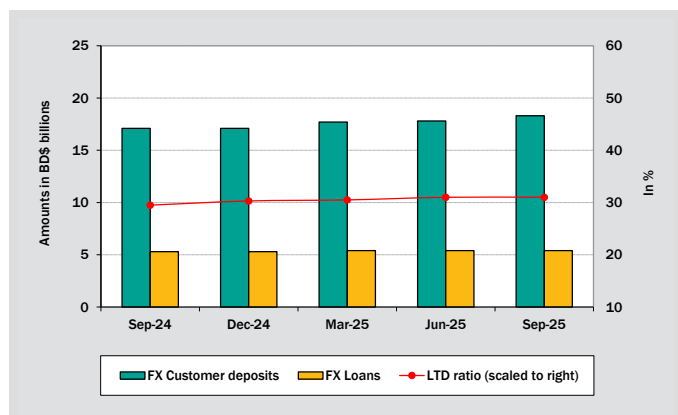
**Table X: Liquidity Indicators (FX Positions)**

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	14.5	13.1	17.4	12.1	17.3
Cash and cash equivalents to total deposit liabilities	17.5	15.7	20.9	14.6	21.1
LTD ratio	29.5	30.3	30.5	31.0	31.0
Loans to total assets	24.4	25.2	25.4	25.6	25.5
Funding gap*	-58.4	-57.9	-57.7	-57.0	-56.7

\*A negative funding gap indicates a deposit surplus.

Chart XI shows the trends in 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)	2025			2024		Change (in %)	
	Sep	Jun	Mar	Dec	Sep	QoQ	YoY
Loans and advances	2.6	2.7	2.7	2.7	2.7	-3.7	-3.7
Total assets	3.5	3.5	3.6	3.5	3.7	0.0	-5.4
Deposit liabilities	4.2	4.1	4.1	4.0	4.0	2.4	5.0

Table XII summarises ratios measuring the liquidity of the BD\$-denominated balance sheet over the last five quarters.

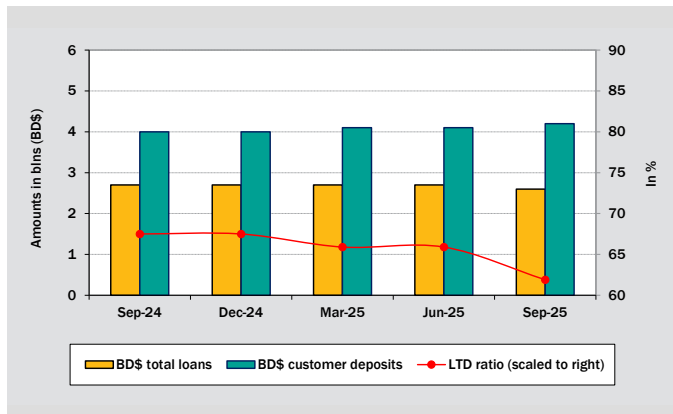
**Table XII: Liquidity Indicators (BD\$ Positions)**

	2025			2024	
	Sep	Jun	Mar	Dec	Sep
	%	%	%	%	%
Cash and cash equivalents to total assets	2.3	2.0	2.0	2.0	1.8
Cash and cash equivalents to total deposit liabilities	2.0	1.7	1.8	1.7	1.7
LTD ratio	61.9	65.9	65.9	67.5	67.5
Loans to total assets	74.3	77.1	75.0	77.1	73.0
Funding gap*	-45.7	-40.0	-38.9	-37.1	-35.1

\*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**



For the quarter, the BD\$ loans-to-deposit ratio declined by 4.0 percentage points to 61.9%. This reduction was attributable to a 3.7% (or \$0.1 billion) decrease in domestic lending, bringing the total to \$2.6 billion. Conversely, deposits increased to \$4.2 billion, reflecting a 2.4% (or \$0.1 billion) growth from the prior quarter.

## MONETARY AGGREGATES

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

**Table XIII: BD\$ Money Supply (Unconsolidated)**

(BD\$ millions)	2025			2024	
	Sep	Jun	Mar	Dec	Sep
Notes and coins in circulation	173	174	173	175	167
Deposit liabilities	4,156	4,132	4,123	3,989	4,031
Banks and deposit companies	4,329	4,306	4,296	4,164	4,198
Less: cash at banks and deposit companies	53	49	53	51	47
BD\$ money supply	4,276	4,257	4,243	4,113	4,151
% Growth on previous period	0.4	0.3	3.2	-0.9	0.9
% Growth YoY	3.0	3.5	4.6	2.8	3.4

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

## 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 July, the BCBS published a horizon scanning report, [\*Banks' interconnections with non-bank financial intermediaries\*](#), that investigates banks' interconnections with Non-bank Financial Intermediaries (NBFIs) and aims to set out plausible stress scenarios that could impact the safety and soundness of banks.

### European Banking Authority (EBA)

In August, the EBA published its results of its [\*2025 EU-wide stress test\*](#), which involved 64 banks from 17 EU and EEA countries and covered 75% of EU banking sector assets. The findings indicate that European banks demonstrate continued resilience, even in the context of a rigorous hypothetical economic downturn.

In July, the EBA published the latest chapter of its resolution [\*Handbook on simulation exercises for resolution authorities\*](#). The handbook outlines a detailed framework of best practices, methodologies and procedures that are designed to help resolution authorities strengthen their preparedness and operational capabilities through structured simulation exercises.

### International Association of Deposit Insurers (IADI)

In July, the IADI released its [\*Deposit Insurance in 2025\*](#) report, which examines global trends and future challenges for 2025. The report is based on data from its 2024 Annual Survey and member survey insights.

## GLOSSARY

**Annualised** expresses a quantity (such as an interest rate, profit or expenditure) as if it is 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 (CCoB)** is set at the full 2.5% of Risk-Weighted Assets (RWA) and is composed of Common Equity Tier 1 (CET1) eligible capital. The CCoB is designed to ensure that banks build up and retain capital buffers outside of periods of stress that 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. CET1 ratio must be at least 4.5% of Risk-Weighted Assets (RWA) at all times.

**Domestic Systemically Important Banks (D-SIB)** are banks (collectively and individually) that pose a degree of material systemic risk to the economy of Bermuda due to their roles in deposit taking, corporate lending, payment systems and other core functions.

**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.

**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 calculated as the ratio of Tier 1 Capital (including AT1) to total exposure as set out in the Basel Framework. Total exposure consists of both on-balance sheet exposures (measured in accordance with the accounting measure of exposure) and off-balance sheet exposures converted through the credit conversion factors used in the Standardised Approach for Credit Risk. The Authority has set the requirement for a minimum 5.0% leverage ratio for Bermuda banks.

**Liquidity Coverage Ratio (LCR)** is designed to ensure that banks hold a sufficient reserve of High-Quality Liquid Assets (HQLA) to survive a period of significant liquidity stress lasting 30 calendar days. HQLA 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** are the sum of bad debts written off and recovered during the period.

**Net Stable Funding Ratio (NSFR)** is the amount of available stable funding relative to the amount of required stable funding. The Authority has set the minimum NSFR at 100%, which means that on an ongoing basis, a bank must retain stable funding sources at least equal to that of its assets that require funding.

**Net profit 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'. 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.

**Provisions** include stage 1, 2 and 3 provisions as defined under the applicable accounting standards.

**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 average assets over the same period.

**RoA (Annualised)** is calculated by dividing the net income over the quarter by the average 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 (RWAs)** refers to a concept developed by the BCBS where assets are weighted by factors representing their riskiness and potential for default.

**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)).