

# Quarterly Banking Digest

Q2 2009

## HIGHLIGHTS

- While Bermuda was not sheltered from the effects of the international financial crisis, the banking sector held up comparatively well. The proactive recapitalisation effort of the sector, following the stress testing exercise mandated by the Bermuda Monetary Authority earlier in the year, further strengthened the sector's balance sheet and allowed for an additional capital cushion and higher capital ratios. The sector raised approximately \$220 million in new capital during the second quarter.
- Non performing loans increased slightly during the quarter but performing loans remained high at about 97 percent of total loans. Bermudian banks do not securitise loans on their books, and as such have greater incentives to perform high levels of due diligence on their loan applications. Overall credit quality of the loan book for the sector remained adequate.
- The steepening of the yield curve has allowed Bermudian banks to benefit from higher interest margins, somewhat offset by losses on the investment book. Profitability indicators marginally improved during the quarter as compared to the previous quarter, with the industry reporting slight improvements in return on equity and return on assets but such levels remained low compared to historical averages.
- Balance sheet size as measured by total assets and customer deposits increased slightly during the quarter, starting to reverse the decreasing trend which began in 2008.

## Selected Indicators

Table I below is a summary of selected indicators, including capital, earnings and asset quality ratios for the Bermudian banking sector.

Table I: Selected Indicators (Part I)

(Ratios in percentage)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
<b>Capital Position</b>					
Risk Asset Ratio	17.7	16.1	17.5	18.3	16.8
Asset to Regulatory Capital Multiple	10.7	11.9	11.8	11.7	12.4
Equity to Total Assets	12.1	10.7	10.2	10.1	10.0
<b>Profitability</b>					
Interest margin to interest income	76.6	73.0	55.3	52.1	51.8
Return on assets	0.8	0.3	1.5	1.5	1.2
Return on equity	7.1	3.0	14.7	15.3	11.8

Table I: Selected Indicators (Part II)

(Ratios in percentage)	2009			2008	
	Jun	Mar	Dec	Sep	Jun
<b>Loan Book</b>					
Provisions to Non Performing Loans (NPLs)	17.3	22.0	21.7	24.1	24.1
NPLs to total loans	3.1	2.5	2.3	2.0	2.0
NPLs to capital	12.4	10.9	9.5	7.5	7.7
<b>Other</b>					
BD\$ money supply growth	0.3	-0.8	-0.1	1.0	2.0
Asset growth rate	2.2	-5.9	-6.1	-0.3	-2.6
Customer deposits growth rate	1.6	-6.9	-7.0	-0.7	-3.2
FX denominated customer deposits to total customer deposits	79.5	79.1	80.3	81.7	81.8

All figures in this report are reported at the consolidated level unless otherwise stated.

## BALANCE SHEET

### Aggregate Balance Sheet for the Sector

Table II below is a summary of balance sheet condition showing the trend in the sector.

Table II: Aggregate Balance Sheet Condition

(BD\$ billions)	2009		2008		Change (%)		
	Jun	Mar	Dec	Sep	Jun	QoQ	YoY
<b>Assets</b>							
Cash	0.1	0.1	0.1	0.1	0.1	7.6	10.5
Deposits	5.4	5.9	6.3	7.0	6.7	-8.4	-20.0
Loans & Advances	8.2	7.8	8.0	7.8	7.6	5.5	8.4
Investments	7.2	6.6	7.4	8.3	8.9	8.9	-19.2
Other Assets	1.1	1.1	1.1	1.1	1.1	-4.5	-2.6
<b>Total Assets</b>	<b>21.9</b>	<b>21.5</b>	<b>22.8</b>	<b>24.3</b>	<b>24.4</b>	<b>2.2</b>	<b>-9.9</b>
<b>Liabilities</b>							
Savings Deposits	4.2	3.6	4.2	3.6	3.4	13.9	23.7
Demand Deposits	7.7	8.1	8.1	8.5	8.9	-5.7	-13.5
Time Deposits	6.5	6.3	7.1	8.7	8.7	4.0	-25.6
<b>Total Deposits</b>	<b>18.3</b>	<b>18.0</b>	<b>19.4</b>	<b>20.8</b>	<b>21.0</b>	<b>1.6</b>	<b>-12.6</b>
Other Liabilities	0.7	0.8	0.8	0.7	0.7	-20.9	0.7
<b>Total Liabilities</b>	<b>19.0</b>	<b>18.9</b>	<b>20.2</b>	<b>21.5</b>	<b>21.6</b>	<b>0.6</b>	<b>-12.2</b>
Equity and Subordinated Debt	2.9	2.6	2.6	2.7	2.7	13.9	7.9
<b>Total Liabilities and Equity</b>	<b>21.9</b>	<b>21.5</b>	<b>22.8</b>	<b>24.3</b>	<b>24.4</b>	<b>2.2</b>	<b>-9.9</b>

Totals may not add due to rounding

- The aggregate balance sheet remained conservative during the quarter, with a relatively high proportion of assets invested in the interbank market and highly rated marketable securities.
- Total assets increased by 2.2 percent during the quarter starting to reverse the decreasing trend, which began in 2008.
- Loans and advances increased by 5.5 percent during the quarter as compared to a decrease of 1.9 percent in Q1 2009 suggesting a potential increase in the banks' appetite to lend.
- While customer deposits increased slightly during the quarter, the overall total remains substantially lower than a year ago. The quarter-on-quarter increase in customer deposits was mainly driven by increases in savings and time deposits of 13.9 percent and 4.0 percent respectively.

## Summary of Balance Sheet Ratios

Table III below is a summary of balance sheet ratios measuring asset quality and capital position.

Table III: Summary Balance Sheet Ratios

(Ratios in percentage)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
<b>Asset Allocation</b>					
Investments	32.7	30.7	32.3	34.2	36.4
Loans	37.5	36.4	34.9	32.1	31.2
Deposits	24.5	27.3	27.4	28.9	27.5
<b>Deposit Allocation</b>					
Savings	22.6	20.2	21.6	17.2	16.0
Demand	41.9	45.1	41.7	40.9	42.3
Time	35.5	34.7	36.7	41.9	41.7
<b>Capital Position</b>					
Risk Asset Ratio	17.7	16.1	17.5	18.3	16.8
Equity to Total Assets	12.1	10.7	10.2	10.1	10.0
Asset to Regulatory Capital Multiple	10.7	11.9	11.8	11.7	12.4
<b>Loan Book</b>					
NPLs to total loans	3.1	2.5	2.3	2.0	2.0
Provisions to NPLs	17.3	22.0	21.7	24.1	24.1
Provisions to total loans	0.5	0.6	0.5	0.5	0.5

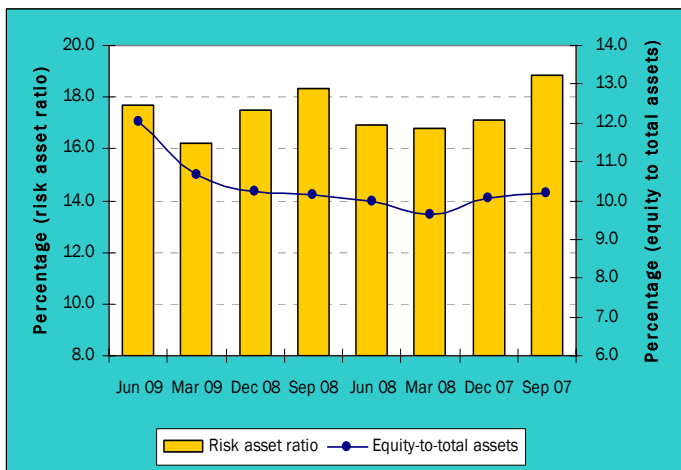
Totals may not add due to rounding

- The sector's risk asset ratio increased from 16.1 percent in Q1 2009 to 17.7 percent. Supplemented by a non-risk based measure, the asset to regulatory capital multiple of about 11 times compares favourably to international bank's levels.
- The ratio of equity to total assets has increased quarter-on-quarter since the beginning of 2008, mainly attributable to the build up of equity during the second quarter combined with the shrinkage in the balance sheet for the period between Q2 2008 and Q1 2009.
- The investment book comprised mainly of interbank placements and holdings of high quality marketable securities made up 57.2 percent of total assets.

## Capital Adequacy

Chart I below shows the movement in the risk asset ratio and the ratio of equity to total assets quarter-on-quarter for the last eight quarters.

Chart I: Risk Asset Ratios and Proportion of Equity to Total Assets

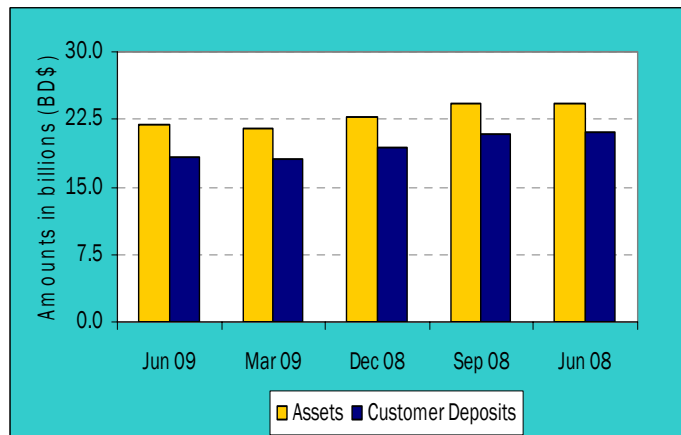


- The sector raised approximately \$220 million in new capital as a result of the stress testing exercise initiated by the Bermuda Monetary Authority.
- The risk asset ratio for the sector increased from 16.1 percent in Q1 2009 to 17.7 percent in Q2 2009. The increase was a result of the faster build up in capital levels at 3.9 percent compared to a fall in risk weighted assets of 4.1 percent, allowing for a substantial improvement in the capital and risk profile of Bermudian banks.
- The decrease in the risk asset ratio for the sector in Q1 2009 was in part attributed to the shift to the Basel II capital framework, where additional capital charges previously not captured were applied. Specifically, the introduction of the operational risk charge resulted in a 2.8 percent downward impact on the risk asset ratio. The operational risk charge was somewhat offset by the preferential treatment on the mortgage book, which under the Basel II capital framework rules, gets a more favourable treatment.

## Changes in Assets and Customer Deposits

Chart II below shows changes in assets and customer deposits for the last five quarters.

Chart II: Changes in Assets and Customer Deposits



- Total assets for the sector increased by 2.2 percent during the quarter from BD\$21.5 billion to BD\$21.9 billion. This was mainly driven by the increase in customer deposits during the quarter and an increase in equity as a result of the recapitalisation effort.
- The sector's customer deposit liabilities increased by 1.6 percent during the quarter from BD\$18.0 billion in Q1 2009 to BD\$18.3 billion. This is the first reported increase since Q1 2008.

## Loan Book

Table IV below is a summary of ratios measuring the composition and quality of the loan book for the last five quarters.

Table IV: Quality of the Loan Book

(Ratios in percentage)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
Loans and advances quarter-over-quarter growth rate	5.5	-1.9	1.9	2.7	3.0
Mortgages on residential property to total loans	49.4	42.6	41.8	41.7	41.5
BD\$ denominated loans to total loans	60.3	62.8	60.3	59.0	58.1
<b>Non Performing Loans</b>					
NPLs to total loans	3.1	2.5	2.3	2.0	2.0
NPLs to capital	12.4	10.9	9.5	7.5	7.7
Net charge-offs to loans	0.16	0.15	0.13	0.06	0.16
<b>Provisioning Practices</b>					
Provisions to NPLs	17.3	22.0	21.7	24.1	24.1
Provisions to total loans	0.5	0.6	0.5	0.5	0.5

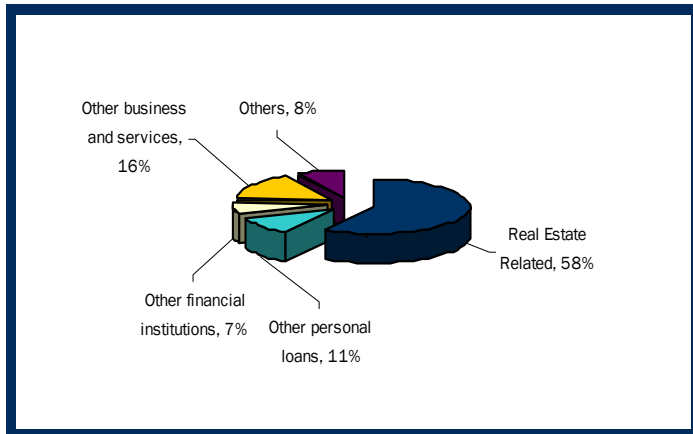
Totals may not add due to rounding

- The proportion of performing loans to total loans remained high at 96.9 percent as at Q2 2009. This is a marginal decrease from the 97.5 percent reported in Q1 2009. The level of provision as a proportion of total loans has however remained relatively stable.
- The proportion of non-performing loans to capital also increased slightly during the quarter from 10.9 percent to 12.4 percent.

### Sectoral Distribution of Loans

Chart III below shows the sectoral distribution of loans as at 30<sup>th</sup> June 2009.

Chart III: Sectoral Distribution of Loans and Advances

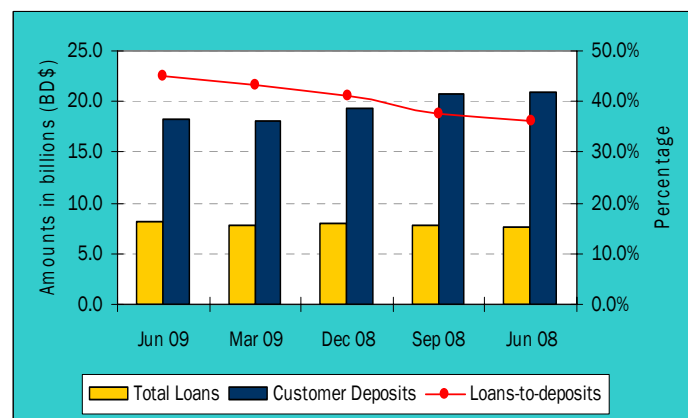


- The loan book for the sector continues to be dominated by real estate related exposure reported at 58 percent of total loans and advances.

### Loans-to-Deposits Ratios

Chart IV below shows the movement in total loans, customer deposits and the ratio of total loans to customer deposits for the last five quarters.

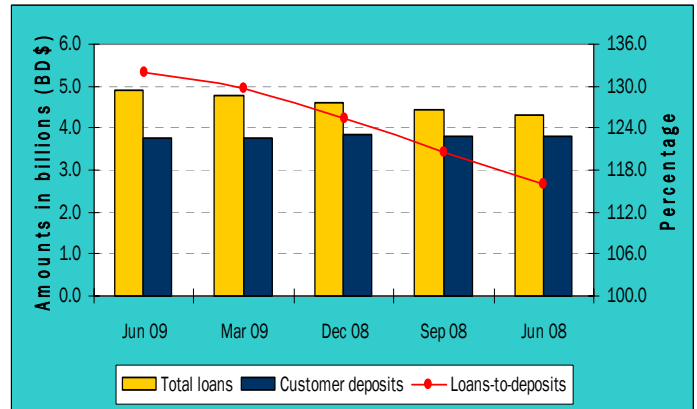
Chart IV: Total Loans and Customer Deposits



- The overall loans-to-deposits ratio increased quarter-on-quarter from 43.3 percent in Q1 2009 to 44.9 percent.

Chart V below shows the movement in Bermuda dollar denominated loans and customer deposits, and the ratio of Bermuda dollar denominated loans to customer deposits for the last five quarters.

Chart V: Bermuda Dollar Loans and Customer Deposits

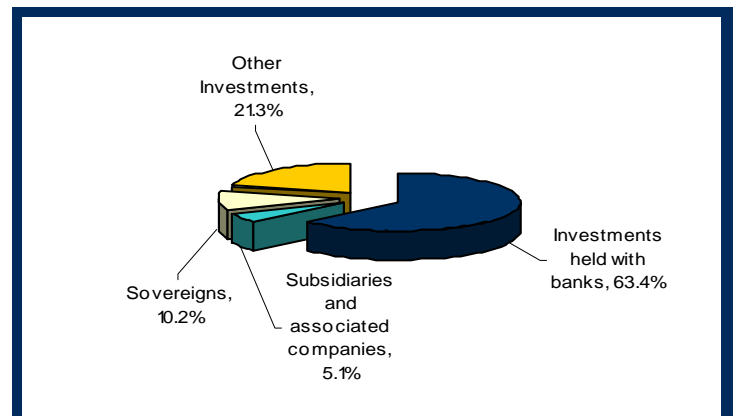


- The Bermuda dollar loans-to-deposits ratio increased marginally during the quarter from 129.8 percent in Q1 2009 to 131.9 percent in Q2 2009 and from 116.0 percent in Q2 2008.
- The steady increase in loans-to-deposits ratios over the last five quarters reflects the continuing increases in Bermuda dollar denominated loans and advances while Bermuda dollar denominated customer deposits remained somewhat flat. There has been a corresponding increase in the extent to which the banks have financed Bermuda dollar denominated loans using their foreign currency deposits. This position is mitigated by the fact that the Bermuda dollar is pegged to the U.S. dollar.

### Investment Book

Chart VI below shows the structure of the investment book as at 30<sup>th</sup> June 2009.

Chart VI: Structure of the Investment Book



- The investment book is mainly invested in the interbank market and highly-rated marketable securities.
- Within the 'other investments' category is a relatively small exposure to equity tranches of securitisation instruments comprising of about 2 percent of the total investment portfolio.

### Foreign Currency Position

Table V below shows the foreign currency position for the sector for the last five quarters.

Table V: Foreign Currency Position

(ratios in percentage)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
FX denominated assets to total assets	74.8	74.5	76.6	78.8	79.6
FX denominated loans to total loans	39.7	37.2	39.7	41.0	41.9
FX denominated customer deposits to total customer deposits	79.5	79.1	80.3	81.7	81.8
Changes in FX assets	2.6	-8.5	-8.6	-1.4	-3.8
Changes in FX loans and advances	12.7	-8.1	-1.4	0.7	3.4
Changes in FX customer deposits	2.2	-8.3	-8.6	-0.9	-4.3

Totals may not add due to rounding

- Foreign currency denominated customer deposits increased by 2.2 percent during the quarter. The increase can be attributed to increases in foreign currency savings and time deposits during the quarter of 20.5 percent and 6.4 percent respectively. Foreign currency demand deposits however decreased by 6.3 percent during the quarter.
- In Q2 2009, total foreign currency assets of BD\$16.4 billion consisted of BD\$10.3 billion denominated in US dollars, which makes up 62.9 percent of total foreign currency denominated assets and 47.0 percent of total assets for the sector indicating that the sector's foreign currency balance sheet is dominated by the US dollar assets.

### Bermuda Dollar Denominated Balance Sheet

Table VI below shows the Bermuda dollar balance sheet for the sector for the last five quarters.

Table VI: Bermuda Dollar Balance Sheet Position

(BD\$ billions)	2009		2008			Change (%)	
	Jun	Mar	Dec	Sep	Jun	QoQ	YoY
Loans and Advances	5.0	4.9	4.8	4.6	4.4	1.3	12.4
Total Assets	5.5	5.5	5.3	5.2	5.0	1.2	11.4
Deposit Liabilities	3.8	3.8	3.8	3.8	3.8	-0.3	-1.1
Equity and Subordinated Debt	2.0	2.0	1.5	1.6	1.6	3.6	23.8

Totals may not add due to rounding

- The total Bermuda dollar denominated assets increased by 11.4 percent year-on-year. The growth in Bermuda dollar denominated assets can be attributed to a build up of Bermuda dollar denominated equity, which increased by 23.8 percent year-on-year as a result of recapitalisation and to a lesser extent increases in reserves.

### PROFIT AND LOSS

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

Table VII: Summary of Profitability Ratios

(Ratios in percentage)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
Interest margin to interest income	76.6	73.0	55.3	52.1	51.8
Interest margin to total income	49.5	59.2	55.5	53.8	52.6
Non-interest expenses to total income	75.3	87.7	71.8	70.3	68.8
Personnel expenses to non-interest expenses	59.6	56.4	57.5	60.6	59.6
Return on assets (ROA)	0.8	0.3	1.5	1.5	1.2
Adjusted ROA	0.8	0.3	1.0	1.1	1.2
Return on equity (ROE)	7.1	3.0	14.7	15.3	11.8
Adjusted ROE	7.1	3.0	9.9	10.6	11.8
Interest income to earning assets	2.8	2.9	4.5	4.5	4.6
Interest expenses to customer deposits	0.7	0.9	2.2	2.4	2.4

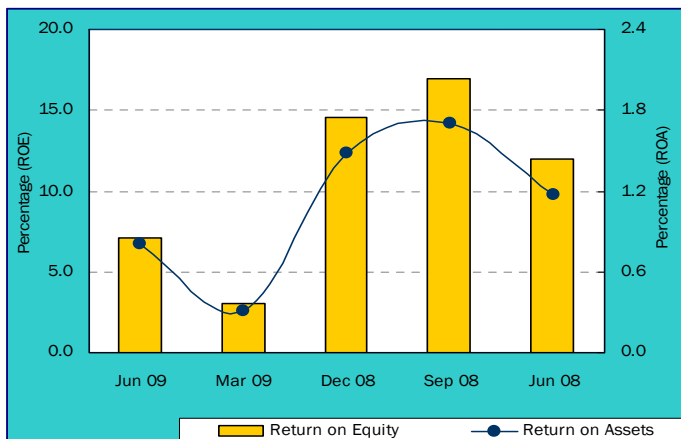
### Margin Analysis

- The interest margin to interest income increased year-on-year from 51.8 percent in Q2 2008 to 76.6 percent in Q2 2009. It also increased quarter-on-quarter from 73.0 percent to 76.6 percent. The increase is as a result of the steepening of the yield curve, which allowed banks to secure short-term funding cheaply while being able to lend at higher rates for longer periods.
- The quarter-on-quarter decrease in non-interest expenses to total income from 87.7 percent to 75.3 percent is as a result of faster growth in total income as compared to marginal increase in non-interest expenses of 0.2 percent.

## Profitability Ratios

Chart VII below shows the trend in the return on assets and return on equity over the last five quarters.

Chart VII: Return on Assets and Return on Equity

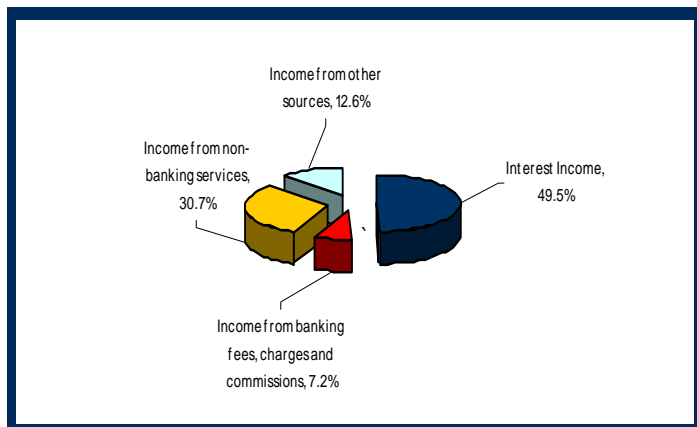


- While profitability was negatively impacted by the international financial crisis, Q2 2009 is showing signs of improvement.
- The return on assets increased during the quarter to 0.8 percent from 0.3 percent in the previous quarter but decreased year-on-year from 1.2 percent in Q2 2008. The year-on-year decrease is as a result of a slowdown in income from all the income streams.
- Return on equity also increased slightly during the quarter but remains low compared to historical levels.

## Distribution of Income Sources

Chart VIII below shows the distribution of income sources for the quarter ended 30<sup>th</sup> June 2009.

Chart VIII: Distribution of Income Sources

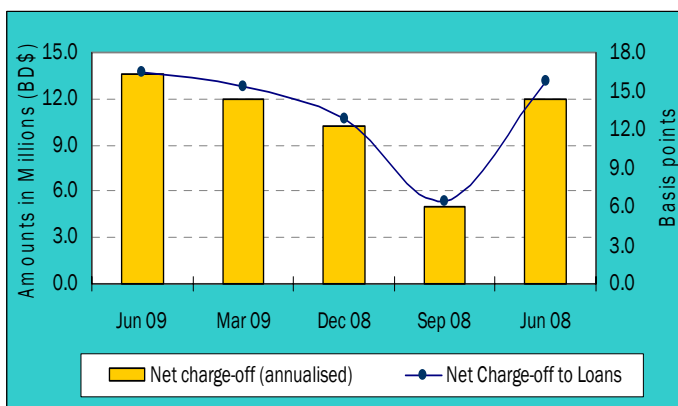


- During the quarter, non-interest income overtook interest income as the main contributor to total income representing 50.5 percent of total income as compared to 40.8 percent in Q1 2009 and 47.3 percent in Q2 2008. The quarter-on-quarter change can be attributed to a decrease in net interest income of 2.4 percent during the quarter as compared to an increase in total income of 16.8 percent over the same period.
- Income from non-banking services made up 30.7 percent of total income (Q1 2009: 33.7 percent). Income from non-banking services is mainly comprised of trust and company administration fees, which contributed 15 percent of total income, fund management fees (5 percent), investment management fees (4 percent) and trustee and custodial fees (2 percent).

## Net Profit and Loss Charge for Loan Provisions

Chart IX below shows the trend in the net charge-offs for bad and doubtful loans and net charge-off as a proportion of total loans over the last five quarters.

Chart IX: Net Charge-Offs and Proportion of Charge-Offs To Loans



- The net profit and loss charge for bad debt (provisions) for the prevailing quarter increased from BD\$2.9 million in Q2 2008 to BD\$3.4 million in Q2 2009. The charge for the quarter ended Q1 2009 was BD\$3.0 million.
- The annualised proportion of net charge-off to total loans increased year-on-year from 15.8 basis points in Q2 2008 to 16.5 basis points in Q2 2009. The increase can be attributed to the faster growth in net charge-off as compared to growth in the loan book. The net charge-off for bad debt (provisions) increased year-on-year by 123.3 percent as compared to the growth in the loan book of 8.4 percent showing a conservative approach to the loan book.

## MONEY SUPPLY

Table VIII below shows the trend in the overall money supply for Bermuda for the last five quarters.

Table VIII: Bermuda Money Supply (Unconsolidated)

(BD\$ millions)	2009		2008		
	Jun	Mar	Dec	Sep	Jun
Notes and coins in circulation*	127	126	141	119	118
Deposit liabilities	3,816	3,802	3,815	3,821	3,783
Banks and deposit companies	<b>3,943</b>	<b>3,929</b>	<b>3,956</b>	<b>3,940</b>	<b>3,901</b>
Less: Cash at banks and deposit companies	60	59	57	36	35
Bermuda dollar money supply	<b>3,883</b>	<b>3,870</b>	<b>3,900</b>	<b>3,904</b>	<b>3,866</b>
% growth on previous period	0.33	-0.76	-0.10	0.97	2.02
% Growth year-on-year	0.44	2.12	5.01	4.19	5.13

\* The table above includes the supply of Bermuda dollars only.

- The Bermuda money supply increased by 0.3 percent and 0.4 percent during the quarter and year-on-year respectively.

## SELECT INTERNATIONAL DEVELOPMENTS

- **Recent changes to the Basel II framework and the EU Capital Requirement Directive.** At its July meeting, the newly expanded Basel Committee on Banking Supervision approved a final package of measures to strengthen regulatory capital rules and enhance the three pillars of the Basel II framework. The paper highlights the role of the amendments proposed by the Basel Committee in January that were approved as final recommendations in July.
- The programme establishes new standards to promote the build-up of capital buffers that can be drawn in periods of stress and counter-cyclical provisioning measures; introduces tougher liquidity standards; further strengthens Tier I capital rules; and introduces a leverage ratio as a backstop to Basel II.
- **The Committee of European Banking Supervisors (CEBS) publishes a position paper on a countercyclical capital buffer.** The objective of the paper is to outline possible practical tools for supervisors to assess banks' capital buffers under Pillar 2, focusing on the cyclicity of credit risk in the banking book. The mechanisms presented are based on the differences between the probabilities of default estimated by banks in an economic recession/downturn scenario and currently applied probabilities of defaults.
- **The Basel Committee on Banking Supervision releases two papers relating to operational risk.** The papers were results from the 2008 Loss Data Collection Exercise for operational risk and observed range of practice in key elements of the Advanced Measurement Approach (AMA). The objectives of the work underlying these papers were to further the understanding of both supervisors and banking institutions regarding outstanding issues in the measurement and management of operational risk and to promote consistency in addressing these issues across jurisdictions.
- **CEBS publishes a consultative paper on liquidity buffers.** The paper sets out draft guidelines on the appropriate size and composition of liquidity buffers with a view to enhance banks' resilience to liquidity shocks.
- **The Federal Reserve and the US Treasury Department announce that they approved an extension to the Term Asset-Backed Securities Loan Facility (TALF)** and that, at this time, they do not anticipate any further additions to the types of collateral that are eligible for the facility.
- **Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate net loss of BD\$3.7 billion in the second quarter of 2009,** a decline of BD\$8.5 billion from the BD\$4.8 billion in profits the industry reported in the second quarter of 2008. Insured institutions earned \$424 million in net operating income during this latest quarter even after a special assessment of \$5.5 billion to bolster the FDIC's insurance fund. However, one-time losses and other items totaling \$4.1 billion pulled the industry results into negative territory.

## Glossary

**Adjusted return on assets** is the return on assets computed using net income excluding extraordinary items.

**Adjusted return on equity** is the return on equity computed using net income excluding extraordinary items.

**Earning assets** includes deposits with other financial institutions, loans, advances and leases, and investments.

**Equity** refers to the shareholders' 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** is any currency other than the Bermuda dollar.

**General provisions** are provisions not attributed to specific assets but to the amount of losses that experience suggests may be in a portfolio of loans.

**Interest expenses to customer deposits** is computed by dividing the annualised interest paid and payable by the average total customer deposit liabilities.

**Interest income to earning assets** is computed by dividing the annualised interest received and receivable by the average total earning assets.

**Interest income** includes interest received and receivable, and consists of interest from deposits with financial institutions, government securities, loans and other interest earning assets.

**Interest margin** is calculated as interest received or receivable less interest paid or payable.

**Leverage** is calculated as shareholders equity divided by total assets.

**Mortgages** refer to financing for land and buildings for purchasing real estate estate/residential property.

**Net charge-offs for bad and doubtful loans** is the sum of general and specific profit and loss charge for doubtful debts and transfers made to suspended interest account (net of recoveries).

**Net income** is derived by netting off provision for taxation from gross profit, and takes into account extraordinary items.

**Non-interest income** includes all other income received by the bank. Included are fees and commissions from 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)** consist of those loans classified as substandard, doubtful and loss as per the BMA guidance on completion of the prudential information return 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 increase or decrease in 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 services by external service providers and other operating expenses.

**Provisions** include both specific and general provisions.

**Real estate** is used to refer 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 total (net) capital as provided by the banks in their quarterly prudential information returns. It is the sum of Tier 1 and Tier 2 capital less total capital deductions.

**Regulatory capital to total assets** is derived by dividing the regulatory capital by the total assets as provided in the prudential information returns.

**Return on assets** is calculated by dividing the net income by the average value of total assets over the same period. The average assets is obtained by averaging the total assets at the beginning and at the end of the quarter.

**Return on equity** is calculated by dividing net income by the average value of shareholders' equity over the same period. The average shareholders' equity is obtained by averaging the shareholders' equity at the beginning and at the end of the quarter.

**Risk Asset Ratio** is calculated as total (net) regulatory capital divided by total risk weighted assets.

**Risk weighted assets (RWA)** refers to a concept developed by the Basel Committee on Banking Supervision (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, collectively assessed groups of loans and loans to other deposit takers.

**Tier 1 capital** consists of ordinary shares, perpetual non-cumulative preference shares, reserves verified by the auditors, current year's losses and minority interest (in Tier 1) adjusted for goodwill and other intangibles, and securitisation but before capital deductions.

**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 (RWA)** is the sum of total credit risk weighted assets, total operational risk adjusted RWA and the total market risk adjusted RWA.

**Note:** 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.

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*All numbers have been derived from the Prudential Information Return submitted to the Authority by individual banks.*

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