OFFICIAL INFORMATION
OF THE CZECH NATIONAL BANK
of 20 January 2017

regarding the method for calculating risk weights for the purposes of setting contributions to the Deposit Insurance Fund

This Official Information shall replace Annex 2 of Official Information of the Czech National Bank No. 2/2016 Bull. CNB regarding the method for calculating risk weights for the purposes of setting contributions to the Deposit Insurance Fund.

Vice-Governor

Mojmír Hampl

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1. Annex 2 reads as follows:

"Annex. 2

List of risk indicators and their weights and boundaries for the calculation of the individual risk score

Risk indicator	Indicator weight (IW)			IRS function
	Min. weight	**Flexible weight**	**Final weight**	**upper boundary (a) lower boundary (b)**
Capital:	**18.0%**	**6.0%**	**24.0%**	
Indicator no. 1: **Leverage ratio** $= \dfrac{Tier\,1\,Capital}{Total\,Assets} \cdot 100$ (according to the EBA guidelines (EBA/GL/2015/10) the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	9.0%	1.0%	10.0%	**Decreasing function** **a = 10** **b = 4**
Note: *The calculation for 2016 and 2017:* $\dfrac{COSIFE10, COS10\_11\,(r.\,2\,c.1)\,CAP0268}{FISIFE10, FIS10\_11\,(r.\,1\,c.1)\,FIN0001} \cdot 100$ *Once data reported in accordance with Regulation No. 2015/62 and Regulation No. 680/2014, as amended by Regulation 2016/428, become available, the following formula will be used:* **Leverage ratio as defined in Commission Regulation No. 2015/62** $= \dfrac{Tier\,1\,Capital}{Total\,exposure\,according\,to\,regulation} \cdot 100$ *(in %, to two decimal places), decreasing function, a = 10, b = 4*				

$$\frac{LRSIFE11, LRS11\_11(r.32\,c.1)\,LRA0150}{LRSIFE11, LRS11\_11(r.30\,c.1)\,LRA0148} \cdot 100$$ *(ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)*				
Indicator no. 2: $$\text{CET1 ratio } = \frac{Common\,Equity\,Tier\,1\,(CET1)\,Capital}{Total\,Risk\,Exposure} \cdot 100$$ (the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	9.0%	5.0%	14.0%	**Decreasing function a = 14 b = 8**
Note: *Calculation for 2016 onwards:* $$\frac{COSIFE10, COS10\_11\,(r.3\,c.1)\,CAP0047}{COSIFE10, COS10\_21\,(r.1\,c.1)\,CAP0001} \cdot 100$$				
Liquidity and funding[*]	**18.0%***	**0.0%***	**18.0%***	
Indicator no 3: **LCR as defined in Commission Regulation No. 2015/61** (the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	9%	9.0%	18.0%	**Decreasing function a = 150 b = 80**
Note: *Calculation for 2016 – the ratio of the average values as of 30 September 2015 and as of 31 December 2015, sent by institutions on the basis of a call to submit information for the purposes of monitoring the liquidity coverage indicator, is applied.* *Calculation for 2017 – data submitted by credit institutions on the basis of a call to submit information for the purposes of monitoring the liquidity coverage ratio are applied for Q1 and Q2. Data reported in accordance with Regulation No. 2015/61 and Regulation No. 680/2014, as amended by Regulation No. 2016/322, are applied for Q3 and Q4 (and the following years):* $$\frac{LISIFE11, LIS11\_51(r.1\,c.1)\,LCR1172}{LISIFE11, LIS11\_51(r.2\,c.1)\,LCR1173} \cdot 100 \,.$$ *In the case of a liquidity sub-group, the indicator value is set as described above for the sub-group as a whole and is applied to the*				

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[*] As the second of the risk indicators in the liquidity and funding category (the NSFR) in the EBA guidelines (EBA/GL/2015/10) is not applied yet, the minimum weight of this indicator is assigned as a flexible weight to the LCR indicator so as to maintain the minimum 18% weight of the entire liquidity and funding category.

Asset quality	13.0%	7.0%	20.0%	
Indicator no. 4: **Default receivables ratio** $= \dfrac{\textit{Default Receivables}}{\textit{Total receivables in non} - \textit{trading book}} \cdot 100$ (the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	13.0%	7.0%	20.0%	**Increasing function** **a = 14** **b = 4**
<u>*Note:*</u> *Banks:* $\dfrac{\textit{DISIFE40,DIS40\_06(r.6 c.1) ABD0573}+ \textit{DISIFE40,DIS40\_06(r.14 c.1) ABD0581}}{\textit{DISIFE40,DIS40\_06(r.1 c.1) ABD0568}} \cdot 100$ *Credit unions:* $\dfrac{\textit{DOZAS41,DOZA41\_01(r.6 c.1) AZA0050}+ \textit{DOZAS41,DOZA41\_01(r.14 c.1) AZA0058}}{\textit{DOZAS41,DOZA41\_01(r.1 c.1) AZA0045}} \cdot 100$ *Once a sufficient amount of reliable data on non-performing loans (NPLs) becomes available, the default receivables ratio will be replaced with the ratio of NPLs to total loans and debt instruments (collection of individual data on NPLs was started in 2016 Q1).*				
Business model and management	13.0%	8.0%	21.0%	
Indicator no. 5: $\dfrac{\textit{Total Risk Exposure}}{\textit{Total Assets}} \cdot 100$ (the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	6.5%	7.5%	14.0%	**Increasing function** **a = 100** **b = 30**

Indicator no. 6: $$\mathbf{RoA} = \frac{Profit}{Total\ Assets} \cdot 100$$ (the resulting indicator value is set as the ratio of the average value of profit as of 31 December for the previous two calendar years to the average value of assets as of the end of Q1, Q2, Q3 and Q4 for the previous two years; in %, to two decimal places)	6.5%	0.5%	7.0%	**Decreasing function a = 1.5 b = 0**

Potential losses for the DGS	**13.0%**	**4.0%**	**17.0%**	
Indicator no. 7: $$\frac{Unencumbered\ Assets}{Covered\ Deposits} \cdot 100$$ (the resulting indicator value is set as the ratio of the average values at the end of Q1, Q2, Q3 and Q4 of the previous year; in %, to two decimal places)	13.0%	4.0%	17.0%	**Decreasing function a = 500 b = 50**

Banks: $$\frac{AESIFE10,AES10\_11(r.1\,c.6)\,AEZ0006}{DISIFE24,DIS24\_01\,(r.1\,c.2)\,EVD0181}\cdot 100$$ *(including foreign branches of banks with registered offices in the Czech Republic)* *Credit unions:* $$\frac{AESIFE10,AES10\_11(r.1\,c.6)\,AEZ0006}{DOZAS24,DIS24\_01\,(r.1\,c.2)\,EVD0181}\cdot 100$$				
Total *(for all indicators)*	75.0%	25.0%	100.0%	

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