OFFICIAL INFORMATION
OF THE CZECH NATIONAL BANK
of 14 April 2020

regarding the method for calculating risk weights for the purposes of setting contributions

to the Deposit Insurance Fund

This Official Information replaces Annex 2 to the Official Information of the Czech National Bank No. 7/2018 CNB Bull. regarding the method for calculating risk weights for the purposes of setting contributions to the Deposit Insurance Fund, as amended by the Official Information of the Czech National Bank No. 5/2019 CNB Bull.

Vice-Governor

per p. Tomáš Nidetzký, duly signed

Annex

Financial Regulation and International Cooperation Department

Annex 2 shall read:
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List of risk indicators, their weights and boundaries for the calculation of the individual risk score

Risk indicator	Indicator weight (IW)			IRS function upper boundary (a) lower boundary (b)
	Min. weight	Flexible weight	Final weight	
Capital:	**18.0%**	**6.0%**	**24.0%**	
Indicator no. 1: a) credit institution: **Leverage ratio as defined in Commission Regulation[1] =** $$\frac{\text{Tier 1 Capital}}{\text{Total exposure as defined in Regulation}} \cdot 100$$ b) branch of a bank from a non-Member State[2]: **Leverage ratio =** $\dfrac{\text{Tier 1 Capital}}{\text{Total Assets}} \cdot 100$ (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 calendar year; in %, to two decimal places)	9.0%	1.0%	10.0%	**Decreasing function a = 10 b = 4**

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[1] Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to the leverage ratio. A figure taking into consideration transitional provisions shall be used.

[2] The leverage ratio as defined in Commission Regulation 2015/62 cannot be set because, pursuant to Article 6(3) of Decree No. 346/2013 Coll. as amended by Decree No. 300/2015 Coll., "a branch of a bank from a non-Member State shall compile and submit statements on a solo basis pursuant to the directly applicable regulation of the European Union governing prudential requirements and its implementing regulations in the same scope, periodicity and time limits as banks pursuant to paragraph 2(a), with the exception of statements monitoring facts regarding leverage."

	9.0%	5.0%	14.0%	**Decreasing function a = 20 b = 10**
Indicator no. 2: **CET1 ratio** $= \dfrac{\text{Common Equity Tier 1 (CET1) Capital}}{\text{Total Risk Exposure}} \cdot 100$ (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 calendar year; in %, to two decimal places)				

Note:

Calculation for a credit institution and a branch of a bank from a non-Member State:

$$\frac{COSIFE10, COS10\_11\,(r.\ 3\ c.\ 1)\ CAP0047}{COSIFE10, COS10\_21\,(r.\ 1\ c.\ 1)\ CAP0001} \cdot 100$$

Liquidity and funding[3]	**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 calendar year; in %, to two decimal places)	9%	9.0%	18.0%	**Decreasing function a = 150 b = 100**

Note:

Calculation for a credit institution and a branch of a bank from a non-Member State – data reported in accordance with Regulation No. 2015/61 and Regulation No. 680/2014, as amended by Regulation No. 2016/322, are applied:

$$\frac{LISIFE11, LIS11\_51\,(r.\ 1\ c.\ 1)\ LCR1172}{LISIFE11, LIS11\_51\,(r.\ 2\ c.\ 1)\ LCR1173} \cdot 100$$

[3] As the other risk indicator in the "liquidity and funding" category (NSFR) as prescribed by EBA guidelines (EBA/GL/2015/10) has not been used yet, the minimum weight of this indicator was assigned as flexible weight to the LCR indicator so that the minimum weight of the entire "liquidity and funding" category remains at 18%.

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 individual sub-group members. **NSFR** - this indicator will be included within the implementation of the calculation in line with a regulation amending Regulation No. 575/2013 of the European Parliament and the Council (EU).				
Asset quality	**13.0%**	**7.0%**	**20.0%**	
Indicator no. 4: NPL ratio = $\dfrac{\text{Non-performing loans and receivables}}{\text{Total loans and receivables}}$ (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 calendar year; in %, to two decimal places)	13.0%	7.0%	20.0%	**Increasing function** **a = 10** **b = 1**
Note: *Calculation for a credit institution and a branch of a bank from a non-Member State:* $$\frac{\textbf{FISIFE90, FIS90\_13 (r.11 c. 3)+(r. 14 c. 3)+ (r.17 c. 3) +(r.29 c. 3)+(r.32 c. 3)+(r.33 c.3)+(r.43 c. 3)+(r.46 c. 3)+(r.47 c. 3)}}{\textbf{FISIFE90, FIS90\_13 (r.11 c. 1)+(r. 14 c. 1)+ (r.17 c. 1) +(r.29 c. 1)+(r.32 c. 1)+(r.33 c. 1)+(r.43 c. 1)+(r.46 c. 1)+(r.47 c. 1)}} \cdot 100$$ *The ratio is set as a ratio of non-performing and total loans and receivables from general government, non-financial corporations and households (gross) for portfolios at amortised cost, at fair value through OCI, designated at fair value and at fair value through profit and loss. If these loans and receivables comprise only receivables from payment services, the arithmetic mean of the values of the indicators of all other credit institutions and branches of banks from a non-Member State determined in accordance with the above formula in the given calendar year shall be used to set the value of the indicator.*				
Business model and management	**13.0%**	**8.0%**	**21.0%**	
Indicator no. 5: Risk exposure ratio = $\dfrac{\text{Total Risk Exposure}}{\text{Total Assets}} \cdot 100$ (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 calendar year; in %, to two decimal places)	6.5%	7.5%	14.0%	**Increasing function** **a = 100** **b = 30**
Note: *Calculation for a credit institution and a branch of a bank from a non-Member State:* $$\frac{\textbf{COSIFE10, COS10\_21 (r. 1 c. 1) CAP0001}}{\textbf{FISIFE10, FIS10\_11 (r. 1 c. 1) FIN0001}} \cdot 100$$				

Indicator no. 6: $$\text{Return on assets (RoA)} = \frac{\text{After-tax profit (loss)}}{\text{Total Assets}} \cdot 100$$ (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 calendar years; in %, to two decimal places)	6.5%	0.5%	7.0%	**Decreasing function** **a = 1.5** **b = 0**
Note: *Calculation for a credit institution and a branch of a bank from a non-Member State:* $$\frac{\textit{FISIFE20, FIS20\_11 (r. 71 c. 1) FIN0177}}{\textit{FISIFE10, FIS10\_11 (r. 1 c. 1)FIN0001}} \cdot 100$$				
Potential losses for the DGS	**13.0%**	**4.0%**	**17.0%**	
Indicator no. 7: $$\text{Non-encumbrance of assets} = \frac{\text{Unencumbered Assets}}{\text{Covered Deposits}} \cdot 100$$ (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 calendar year; in %, to two decimal places)	13.0%	4.0%	17.0%	**Decreasing function** **a = 500** **b = 50**
Note: *Calculation for a bank and a branch of a bank from a non-Member State:* $$= \frac{\textit{AESIFE10, AES10\_11 (r. 1 c. 6) AEZ0006}}{\textit{DISIFE24, DIS24\_01 (r. 1 c. 2) EVD0181}} \cdot 100$$ *Calculation for a credit union:* $$= \frac{\textit{AESIFE10, AES10\_11 (r. 1 c. 6) AEZ0006}}{\textit{DOZAS24, DIS24\_01 (r. 1 c. 2) EVD0181}} \cdot 100$$				
Total (for all indicators)	**75.0%**	**25.0%**	**100.0%**	

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