Ordinance No 30
of 21 January 2016
on Calculation of the Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee

(Issued by the Bulgarian National Bank; published in the Darjaven Vestnik, issue 10 of 5 February 2016; effective as of 5 February 2016)

Chapter 1

General Provisions

Article 1. (1) This Ordinance shall establish the manner for calculating the amount of premium contributions due by each member institution of the deposit guarantee scheme in the Republic of Bulgaria into the Bulgarian Deposit Insurance Fund, hereinafter referred to as 'BDIF'.

(2) Premium contributions under paragraph 1 may be:

1. annual;
2. extraordinary;
3. reduced annual premium contributions.

(3) The BDIF shall set the annual premium contributions due by each bank, taking into consideration its risk profile and the amount of covered deposits with the bank for the preceding year, calculated as an average of the amount of covered deposits at the end of each quarter.

Chapter Two

Approach to the Determination of Premium Contributions

Article 2. (1) By 15 April of the current year, the BDIF Management Board shall set the lump sum of annual premium contributions or reduced annual premium contributions due by banks, with full respect for the requirements and restrictions under Chapter Three of this Ordinance.

(2) By 1 May of the current year, the BDIF Management Board shall set the amount of the annual premium contribution or reduced annual premium contribution due by each bank, with full respect for the requirements and restrictions under Chapter Four of this Ordinance.

Article 3. (1) Under the provisions of Article 18, paragraph 1 of the Law on Bank Deposit Guarantee (LBDG), the BDIF Management Board shall set the lump sum of extraordinary premium contributions due by banks at least 45 days prior to the final date specified by the Management Board for their transfer, with full respect for the requirements and restrictions under Chapter Three of this Ordinance.

(2) The Management Board of the BDIF shall set the amount of the extraordinary premium contribution due by each bank at least 30 days prior to the final date specified by the Management Board for its transfer.

Article 4. The annual premium contribution rates, reduced annual premium contributions and extraordinary premium contributions shall be identical for all banks and represent the ratio between the lump sum of all premium contributions under Article 2, paragraph 1 or Article 3, paragraph 1 of this Ordinance and the average value of covered deposits in the banking system as of the end of each quarter of the calendar year for which these contributions are due.

Chapter Three

Determination of the Lump Sum of Premium Contributions

Section I

Annual Premium Contributions

Article 5. (1) The BDIF Management Board shall determine the lump sum of annual premium contributions for the current year with a view to reaching the target rate of BDIF funds in accordance with the requirements of § 8 of the Transitional and Final Provisions and Article 17, paragraph 4 of the LBDG.

(2) The lump sum of annual premium contributions is the total minimum amount of annual premium contributions determined under the procedure of Article 7, paragraph 1 or Article 9 with a view to reaching the target level for BDIF funds and repaying its liabilities.

Article 6. (1) In order to determine the lump sum of annual premium contributions, the BDIF Management Board shall set each year the growth rate of the lump sum of annual premium contributions (*GRC*) which is used to calculate the growth factor for the premium contributions under Article 7, paragraph 2.

(2) In determining the growth rate of the lump sum of annual premium contributions (*GRC*) to the BDIF, the state of the banking sector, the target level for BDIF funds and the likelihood of using BDIF funds for repaying covered deposits and financing resolution actions under the terms and procedure of Article 144 of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF) shall be taken into account.

Article 7. (1) The lump sum of annual premium contributions shall be determined by multiplying the funds required to reach BDIF's target level, *i.e.* the present gap (*PG*) by the contribution growth factor (*CGF*).

(2) The contribution growth factor (*CGF*) is computed according to the following formula:

$$CGF = \frac{GRC}{(1 + GRC)^n - 1}, \text{ where}$$

GRC is the growth rate of the lump sum of annual premium contributions under Article 6;

n is the number of premium contributions until the target level of BDIF funds is reached.

Article 8. (1) The funds required to reach BDIF's target level, *i.e.* the present gap (*PG*), are calculated by deducting the value of estimated future cash inflows from the aggregate sum of the amount required to reach BDIF's target level and estimated future cash outflows.

(2) The amount required to reach BDIF's target level for the BDIF's funds, *i.e.* the target level nominal (*TLN*), is computed according to the following formula:

$$TLN = TCD \times TL \times (1 + GRCD)^n, \text{ where}$$

TCD is the total amount of covered deposits at the end of the previous year;

GRCD is the growth rate of covered deposits on an annual basis;

TL is the target level of the funds available to the BDIF;

n is the number of premium contributions until the target level of BDIF funds is reached.

(3) The growth rate of covered deposits (*GRCD*) shall be equal to the change in covered deposits at the end of the previous year *vis-à-vis* the year preceding it, expressed as a percentage.

(4) Estimated future cash inflows of the BDIF shall equal the sum of the following items:

1. BDIF funds at the end of the previous year including current account balances and the portfolio of debt instruments and excluding funds used as collateral in liquidity-providing transactions;

2. the gross value of loans which have been negotiated but not obtained or are expected to be negotiated and obtained in future periods;

3. estimated cash flows related to the expected funds from liquidation of property of banks in bankruptcy in repaying covered deposits and/or repayments on BDIF's resolution actions under the terms and procedure of Article 144 of the LRRCIIF.

(5) Estimated future cash outflows of the BDIF shall equal the sum of the following items:

1. all estimated principal and interest payments on borrowings, including loans which have been negotiated but not obtained, or are expected to be negotiated and obtained in future periods, or on other types of liabilities until the end of the year in which the BDIF's target level must be reached;

2. expenditure related to BDIF repayments of covered deposits and financing of bank resolution actions under the terms and procedure of Article 144 of the LRRCIIF.

(6) BDIF's cash outflows under paragraph 5, item 1 arising after the year set for reaching BDIF's target level shall be considered for the calculation with their amount weighted by the ratio between the remaining number of years until the target level is reached and the number of remaining years to maturity of liabilities.

Article 9. (1) If the BDIF Management Board has not taken a decision to discontinue the payment of premium contributions and if BDIF liabilities equal zero, the lump sum of annual premium contributions shall be determined by multiplying the target rate of BDIF funds by the difference between the amount of covered deposits at the end of the previous year and the amount of covered deposits at the end of the year preceding it.

(2) The minimum amount of the contributions under paragraph 1 shall be zero.

(3) If BDIF liabilities do not equal zero and the BDIF Management Board has specified a period for reaching the target rate of the funds in calculating the target amount of the annual contribution, Article 7, paragraph 1 shall apply.

(4) If BDIF liabilities do not equal zero and the BDIF Management Board has not specified a period in which the target rate to be reached again, the lump sum of annual premium contributions shall be equal to the sum of:

1. the target rate of BDIF funds multiplied by the difference between the amount of covered deposits at the previous year and the amount of covered deposits at the end of the year preceding it, and

2. the reciprocal value of the residual maturity of the relevant liability in years, multiplied by the difference between its amount and the current value of the excess of available BDIF funds over the target level.

Article 10. By a decision of the BDIF Management Board, the lump amount of annual premium contributions determined under the procedure of Article 7, paragraph 1 may be raised by up to 10 per cent.

Section II

Reduced Annual Premium Contributions

Article 11. (1) If the condition under Article 17, paragraph 1 of the LBDG is met, by a decision of the BDIF Management Board, the lump sum of annual premium contributions may be lower than the amount determined under Article 9.

(2) A reduced annual contribution shall be each annual premium contribution made within the target period, whose amount is smaller than the lump sum of annual premium contributions calculated in accordance with the requirements under Article 9.

Chapter Four

Determination of Individual Premium Contributions

Section I

Risk Indicators

Article 12. (1) The risk profile of banks shall be determined on the basis of risk indicators which refer to one of the following risk categories:

1. capital;
2. liquidity and financing;
3. asset quality;
4. business model and management;
5. potential losses for the BDIF.

(2) Risk indicators shall represent financial ratios or qualitative indicators.

Article 13. (1) Risk indicators used for the purposes of determining premium contributions shall include:

1. leverage ratio;
2. capital coverage ratio of Common Equity Tier 1 capital (*CET1*);
3. liquidity coverage ratio (*LCR*);
4. net stable funding ratio (*NSFR*);
5. gross non-performing loans ratio;
6. risk exposure ratio;
7. return on assets;
8. return on total equity;
9. asset growth rate;
10. liquidity coverage ratio of non-covered deposits;
11. average price of attracted funds;
12. interest expense to interest income ratio;
13. unencumbered assets to covered deposits ratio;
14. liquidity coverage ratio of covered deposits;

(2) The distribution of risk indicators under Article 1 by risk category and the manner of their calculation is provided in Appendix No 1.

(3) The arithmetic average for each risk indicator under paragraph 1, items 1–6, 9, 10, 13 and 14 shall be determined for the previous year based on the values of the indicators at the end of each quarter. Individual risk scores of these indicators shall be determined on the basis of averaged values.

(4) The individual risk score for risk indicators under paragraph 1, items 7, 8, 11 and 12 shall be determined on the basis of the non-average value of the indicator at the end of the year.

Section II

Individual Risk Score Assignment

Article 14. (1) Any bank shall be assigned individual risk scores corresponding to each risk indicator included in the model for calculation of premium contributions to the BDIF.

(2) Individual risk scores shall depend on the proportional deviation of the value of a particular indicator from the boundaries of the set interval for it.

(3) The boundaries under paragraph 2 shall be determined by a decision of the BDIF Management Board, which shall be subject to review every two years, or where necessary and shall be announced on the BDIF's website.

(4) The individual risk scores for risk indicators under Article 13, paragraph 1, items 1–4, 7, 8, 10, 13 and 14 shall be determined according to the following formula:

$$IRS_j = \begin{cases} 0 & \text{if } A_j > a_j \\ 100 & \text{if } A_j < b_j \\ \dfrac{a_j - A_j}{a_j - b_j} \times 100, & \text{if } b_j \le A_j \le a_j \end{cases}, \text{ where}$$

IRS_j is the individual risk score corresponding to risk indicator j;

A_j is the value of risk indicator j for the relevant period calculated in accordance with the instructions in Appendix No 1;

a_j is the upper boundary of the range of risk indicator j;

b_j is the lower boundary of the range of risk indicator j;

(5) The individual risk scores for risk indicators under Article 13, paragraph 1, items 5, 6, 11 and 12 shall be determined according to the following formula:

$$IRS_k = \begin{cases} 100 & \text{if } A_k > a_k \\ 0 & \text{if } A_k < b_k \\ \dfrac{A_k - b_k}{a_k - b_k} \times 100, & \text{if } b_k \le A_k \le a_k \end{cases}, \text{ where}$$

IRS_k is the individual risk score corresponding to risk indicator k;

A_k is the value of risk indicator k for the relevant period calculated in accordance with the instructions in Appendix No 1;

a_k is the upper boundary of the range of risk indicator k;

b_k is the lower boundary of the range of risk indicator k.

(6) The individual risk scores for risk indicators under Article 13, paragraph 1, item 9 shall be determined according to the following formula:

$$IRS_m = \begin{cases} 100 & \text{if } A_m \ge a_m \\ 100 & \text{if } A_m \le b_m \\ 0 & \text{if } b_m < A_m < a_m \end{cases}, \text{ where}$$

IRS_m is the individual risk score corresponding to risk indicator m;

A_m is the value of risk indicator m for the relevant period calculated in accordance with the instructions in Appendix No 1;

a_m is the upper boundary of the range of risk indicator m;

b_m is the lower boundary of the range of risk indicator m;

(7) Individual risk scores shall range from 0 to 100, and irrespective of the nature of individual risk indicators, higher values of the corresponding individual risk scores shall reflect worsening of the bank's risk profile.

(8) For each risk indicator under Article 13, paragraph 1, with the exception of item 9, the BDIF Management Board may, as part of the decision under paragraph 3, determine a secondary upper or lower boundary, where the values of the risk indicator for individual banks are reported as extreme. For risk indicators under Article 13, paragraph 1, items 1–4, 7, 8, 10, 13 and 14 with values above the secondary upper boundary, the individual risk score shall be 100. For risk indicators under Article 13, paragraph 1, items 5, 6,11 and 12 with values below the secondary lower boundary, the individual risk score shall be 100.

Section III

Aggregate Risk Score Assignment

Article 15. (1) The aggregate risk score for each bank shall be calculated as an average weighted value of individual risk scores as determined under Article 14.

(2) Weights by which individual risk scores shall be weighted are specified in Appendix No 2.

(3) The aggregate risk score shall range from 0 to 100. Higher values of the aggregate risk score shall indicate higher risk profile of the bank.

Section IV

Determination of Aggregate Risk Weight

Article 16. (1) Each bank shall be assigned an aggregate risk weight reflecting its risk profile.

(2) Aggregate risk weights shall be coefficients used for risk adjustment of premium contributions to the BDIF. Higher aggregate risk weights shall indicate worsening of banks' risk profiles leading to a proportional increase in the premium contribution due.

(3) Aggregate risk weights shall be a function of aggregate risk scores calculated in accordance with the requirements of Article 15.

(4) Aggregate risk weights shall be calculated according to the following formula:

$$ARW_i = 0.75 + (2.00 - 0.75) \times \frac{ARS_i}{100}, \text{ where}$$

ARW_i is the aggregate risk weight of bank i;

ARS_i is the aggregate risk score of bank i.

(5) The BDIF shall calculate aggregate risk weights of banks even where the BDIF Management Board has taken a decision under Article 17, paragraph 1 of the Law on Bank Deposit Guarantee to suspend payment of premium contributions.

Section V

Determination of Adjustment Coefficient

Article 17. (1) To determine premium contributions due from each banks for a relevant period the BDIF shall calculate an adjustment coefficient.

(2) The adjustment coefficient shall be the ratio between the total amount of premium contributions for the relevant period and the risk-adjusted amount of the lump sum of annual premium contributions.

(3) To determine the annual premium contributions and reduced annual premium contributions an adjustment coefficient μ shall be used, which is calculated according to the following formula:

$$\mu = \frac{\Sigma CD_i}{\Sigma CD_i \times ARW_i}, \text{ where}$$

CD_i is the sum total of covered deposits with bank i for the preceding year calculated as an average of the size of covered deposits as of the end of each quarter;

ARW_i is the aggregate risk weight of bank i;

(4) To determine extraordinary premium contributions adjustment coefficient μ' shall be used, which is calculated according to the following formula:

$$\mu' = \frac{\Sigma CD_i'}{\Sigma CD_i' \times ARW_i'}, \text{ where}$$

CD_i' is the sum total of covered deposits in bank i calculated as an average of the size of covered deposits for the four quarters preceding the quarter in which the contribution becomes payable;

ARW_i' is the aggregate risk weight of bank i calculated upon payment of last annual premium contributions.

Section IV

Calculation of Premium Contributions

Article 18. (1) The BDIF shall set the amount of the annual premium contribution or reduced annual premium contribution due by each bank according to the following formula:

$C_i = CR \times CD_i \times ARW_i \times \mu$, where

C_i is the annual premium contribution of bank i;

CR is the contribution rate under Article 4;

CD_i is the sum total of covered deposits with bank i for the preceding year calculated as an average of the size of covered deposits as of the end of each quarter;

ARW_i is the aggregate risk weight of bank i;

μ is an adjustment coefficient;

(2) In determining annual premium contributions of banks the BDIF Management Board must include in the formula of their calculation coefficient μ where this coefficient calculated under Article 17, paragraph 3 is higher than one. Where the adjustment coefficient μ is less than one, the BDIF Management Board may take a decision to exclude the adjustment coefficient.

Article 19. (1) The BDIF shall set the amount of the extraordinary premium contribution due by each bank according to the following formula:

$C_i' = CR' \times CD_i' \times ARW_i' \times \mu'$, where

C_i' is the annual extraordinary premium contribution of bank i;

CR' is the extraordinary contribution rate under Article 4;

CD_i' is the sum total of covered deposits with a bank for the preceding year calculated as an average of the size of covered deposits for the four quarters preceding the quarter in which the contribution becomes payable for bank i;

ARW_i' is the aggregate risk weight of bank i;

μ' is an adjustment coefficient;

(2) In determining extraordinary premium contributions of banks the BDIF Management Board must include in the formula of their calculation adjustment coefficient μ' computed under Article 17, paragraph 4.

(3) Where the BDIF Management Board has taken a decision for collecting extraordinary premium contributions prior to payment of premium contributions for the current year, it may decide for contributions under paragraph 1 to be calculated on the basis of aggregate risk weights from the previous year.

Article 20. (1) Where a bank has not provided the required information under Article 23 to the BDIF, it may use its own assessments to calculate the average value of covered deposits and deposits meeting the conditions of this bank.

(2) Where inaccuracies in calculating annual premium contributions or extraordinary premium contributions have been established, the BDIF shall adjust premium contributions in accordance with updated information.

(3) After a recalculation of annual premium contributions or extraordinary premium contributions of banks based on adjusted information under paragraph 2, the BDIF Management Board, depending on the established inaccuracy, shall take the following decision:

1. to deduct from the following annual premium contribution the net amount overpaid by the bank on annual or extraordinary premium contributions, or

2. to oblige the bank to pay the difference between the annual or extraordinary premium contribution due and that really paid with the following premium contribution.

Chapter 5
Submission of Information

Article 21. The BDIF shall, within the term under Article 3, paragraph 2, provide each bank with information on:

1. the lump sum of premium contributions;
2. the rate of premium contributions;
3. the aggregated risk weight;
4. the value of the adjustment coefficient;
5. the amount of the bank's premium contribution.

Article 22. The Bulgarian National Bank shall provide the BDIF with the information necessary to define the risk indicators under Appendix No 1.

Article 23. Banks shall provide the BDIF, within the time lines set out below, with information on:

1. the amount of covered deposits and the number of covered deposits at the end of each month – by the 20th day of the following month;
2. the structure of deposits with the bank at the end of each quarter – within 20 days following the end of the respective quarter;
3. the eligible deposits at the end of each month – within the 20th day of the following month.

Article 24. (1) The BDIF may provide the information under Article 21, items 3, 4 and 5 only to the Bulgarian National Bank, and as regards an individual bank – to the authorised representatives thereof.

(2) Upon a decision of the BDIF Management Board information under paragraph 1, in summary or aggregate form, may be provided also to other persons, provided that the banks it refers to cannot be identified.

Additional Provisions

§ 1. Within the meaning of this Ordinance:

1. 'Banks' shall be the persons under Article 1, paragraph 4 of the Law on Bank Deposit Guarantee.
2. 'Target rate' shall be the ratio of BDIF funds to the amount of covered deposits which should be reached under § 8 of the Transitional and Final Provisions of the Law on Bank Deposit Guarantee and Article 17, paragraph 1 thereof;
3. 'Target level' of BDIF funds shall be the sum of the funds available with the BDIF at the time of reaching the target rate;
4. 'Tier 1 capital' shall be Tier 1 capital as defined in Article 25 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Regulation (EU) No 575/2013);
5. 'Common Equity Tier 1 capital' shall be the Common Equity Tier 1 capital as defined in Article 50 of Regulation (EU) No 575/2013;

6. ‘Risk weighted assets’ shall be the total risk exposure amount calculated in accordance with Article 92, paragraph 3 of Regulation (EU) No 575/2013;

7. ‘Liquid assets’ shall be the liquid assets as defined in Chapter 2 Liquid Assets of Commission Delegated Regulation (EU) No 2015/61 to supplement Regulation (EU) No 575/2013 with regard to liquidity coverage requirement for credit institutions;

8. ‘Encumbered assets’ as defined in Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013;

9. ‘Eligible deposits’ shall be the deposits under § 1, item 5 of the Additional Provisions of the Law on Bank Deposit Guarantee.

Transitional and Final Provisions

§ 2. Until 31 December 2016 the risk indicator ‘leverage ratio’ shall be calculated by dividing the Tier 1 capital item by the Total Assets item.

§ 3. Until 31 December 2017 for the purposes of the liquidity and financing risk category, the sole risk indicator shall be the liquid asset ratio within the meaning of Article 8, paragraph 2, item 1 of Ordinance No 11 of the BNB on Liquidity Management and Supervision of Banks. The risk weight of the indicator shall be 20 per cent.

§ 4. Until 31 December 2017 as ‘liquid assets’ shall qualify the assets within the meaning of Article 8, paragraph 1 of Ordinance No 11 of the BNB on Liquidity Management and Supervision of Banks.

§ 5. After 31 December 2017 and until the full implementation in European law of the net stable funding requirement (*NSFR*), the sole risk indicator in the liquidity and financing risk category shall be the liquidity coverage ratio (*LCR*). The risk weight of the indicator shall be 20 per cent.

§ 6. The BDIF Management Board shall, by 15 March 2018, define the upper and lower limits of the liquidity coverage ratio (*LCR*), as well as of covered deposits LCR as part of the update of the decision under Article 14, paragraph 3.

§ 7. The BDIF Management Board shall, by 15 March of the year in which the net stable funding requirement (*NSFR*) will be used for the first time, set its lower and upper bounds as part of the update of the decision under Article 14, paragraph 3.

§ 8. The BDIF Management Board shall take the decision under Article 14, paragraph 3 within two weeks following the entry into force of this Ordinance.

§ 9. (1) For the purposes of setting banks’ annual premium contributions for 2016, the amount of covered deposits with the banks as at 31 March, 30 June, 30 September and 31 December 2015 shall be provided by the banks to the BDIF until 1 March 2016.

(2) The amount of covered deposits as at 14 August 2015 shall be set under the terms and conditions of the repealed Law on Bank Deposit Guarantee (repealed, Darjaven Vestnik; issue 62 of 2015) and after 14 August 2015, under the Law on Bank Deposit Guarantee (Darjaven Vestnik; issue 62 of 2015).

§ 10. Individual risk assessments of the indicators under Article 13, paragraph 1, items 1, 3, 7, and 9 of foreign bank branches in Bulgaria shall be formed as the arithmetic mean of individual risk assessment values of the same indicators of the four banks with the closest individual risk assessment to that of the respective bank branch for the indicators under Article 13, paragraph 1, items 1, 3, 7 and 9.

§ 11. Article 9 shall be applied only after the target level of BDIF funds under § 8 of the Additional and Final Provisions of the Law on Bank Deposit Guarantee has been reached.

§ 12. The provision of Article 23 shall apply from 31 March 2016.

§ 13. This Ordinance is issued on the grounds of Article 14, paragraph 4 of the Law on Bank Deposit Guarantee and is adopted by Resolution No 3 of the Governing Council of the BNB of 21 January 2016.

§ 14. The BNB, on a proposal from the BDIF Management Board, shall issue instructions on the enactment of this Ordinance.

Appendix No 1
to Article 13, paragraph 2

1. Equity:

1.1. Leverage ratio under Regulation (EU) No 575/2013

1.2. Common Equity Tier 1 capital ratio (*CET1*):

$$CET1 = \frac{CET1 \text{ capital}}{\text{Risk-weighted assets}}$$

2. Liquidity and financing:

2.1. Liquidity coverage ratio (*LCR*) as defined in Delegated Regulation (EU) No 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement for credit institutions.

2.2. Net stable funding requirement (*NSFR*) as defined in a Delegated Act of the European Commission issued in line with Article 510, paragraph 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

3. Asset quality:

3.1. Gross non-performing loans ratio (*NPLR*):

$$NPLR = \frac{\text{Gross amount of non-performing loans and advances and debt securities}}{\text{Total gross loans and advances and debt securities}}$$

4. Business model and management:

4.1. Risk-weighted assets ratio (*RWAR*):

$$RWAR = \frac{\text{Risk-weighted assets}}{\text{Total assets}}$$

4.2. Return on Assets (*RoA*):

$$RoA = \frac{\text{Profit}}{1/4 \times \text{Sum of total assets at the end of each quarter for the last four quarters}}$$

4.3. Return on Equity (*RoE*):

$$RoE = \frac{\text{Profit}}{1/4 \times \text{Sum of total equity at the end of each quarter for the last four quarters}}$$

where Profit shall be ‘profit or (-) loss for the year’, and ‘total equity’ shall be the total equity item in the bank’s balance sheet.

4.4. Asset growth rate (*AGR*):

$$AGR = \frac{\text{Sum of percentage change of assets at the end of each quarter on an annual basis for the last eight quarters}}{8}$$

4.5. Liquidity coverage of encumbered assets (*LCEA*):

$$LCEA = \frac{\text{Liquid assets}}{\text{Eligible deposits as } \textit{per} \text{ § 1, item 5 of Additional Provisions of the Law Bank Deposit Guarantee – Sum of covered deposits}}$$

4.6. Average price of liabilities (*APL*):

$$APL = \frac{\text{Interest expenses}}{1/4 \times \text{Total liabilities at the end of each quarter for the last four quarters}}$$

4.7. Interest expense to interest income ratio (*EI*):

$$EI = \frac{\text{Interest expense}}{\text{Interest income}}$$

5. Potential losses for the BDIF:
5.1. Unencumbered assets to covered deposits ratio *(UAC)*:

$$UAC = \frac{\text{Total assets – Encumbered assets}}{\text{Sum of covered deposits}}$$

5.2. Liquidity coverage ratio of covered deposits (*LCCD*):

$$LCCD = \frac{\text{Liquid assets}}{\text{Sum of covered deposits}}$$

Appendix No 2
to Article 15, paragraph 2

Table of the weights used in the aggregate risk assessment

No	Risk category/risk indicator	Weight
1.	**Equity**	**20.0%**
1.1.	Leverage ratio	10.0%
1.2.	Common Equity Tier 1 capital ratio (*CET1*):	10.0%
2.	**Liquidity and financing**	**20.0%**
2.1.	Liquidity coverage ratio (*LCR*)	10.0%
2.2.	Net stable funding requirement (*NSFR*)	10.0%
3.	**Asset quality:**	**15.0%**
3.1.	Gross non-performing loans ratio (*NPLR*):	15.0%
4.	**Business model and management**	**28.0%**
4.1.	Risk-weighted assets ratio (*RWAR*)	9.5%
4.2.	Return on Assets (*RoA*)	6.5%
4.3.	Return on Equity (*RoE*)	3.0%
4.4.	Asset growth rate (*AGR*)	2.0%
4.5.	Liquidity coverage ratio of encumbered assets (*LCEA*)	3.0%
4.6.	Average price of liabilities (*APL*)	2.0%
4.7.	Interest expense to interest income ratio (*EI*)	2.0%
5.	**Potential losses for BDIF**	**17.0%**
5.1.	Unencumbered assets to covered deposits ratio (*UAC*)	15.0%
5.2.	Liquidity coverage of encumbered assets (*LCEA*)	2.0%