

1. Methodology of data gathering and calculation of indicators

B 1 Banks and branches of foreign banks

B 1.1 Structure of assets and liabilities of banks and branches of foreign banks

All assets are reported in their gross value, i.e. they are not adjusted by provisions.

Category “Interbank market transactions” consists not only of deposits and loans granted to central banks and other banks, but also of acquired bills of NBS, treasury bills and bills.

Sources of data:

Description	Source report from STATUS
Loans to clients	V (NBS) 33 – 12
Interbank market transactions	Bil (NBS) 1 – 12
Securities	V (NBS) 8 – 12, (NBS) Bil 1 – 12
Deposits and loans received	V (NBS) 5 – 12
Funds from banks	Bil (NBS) 1 – 12
Issued securities	Bil (NBS) 1 – 12
Risk-weighted assets	BD (PVZ) 20 – 12
Own funds	BD (HVZ) 19 – 12

Comments on concentration indices calculation:

CR3 index – the share of three banks with the largest volume of the given item on the total volume of the given item in the banking sector, while the calculation includes only institutions in which the value of the given item is positive

CR5 index – the share of five banks with the largest volume of the given item on the total volume of the given item in the banking sector, while the calculation includes only institutions in which the value of the given item is positive

Herfindahl index (HHI) – defined as the sum of squares of the individual banks’ shares on the total volume of the given item expressed in percentage, while the calculation includes only institutions in which the value of the given item is positive

As regards the possible interpretation of the value HHI, it can be said that concentration in the given item is the same as if there would be in the sector 10 000/HHI institutions, each of them having the same volume in the given item. According to the definition of the US Department of Justice, the market is considered highly concentrated if HHI exceeds the value of 1 800 and non-concentrated if HHI is less than 1 000.

B 1.2 Revenues and expenditures of banks and branches of foreign banks

Comments on some items:

Net income from trading includes net income from transactions involving securities (except for interest income), net income from FX transactions, and net income from transactions involving derivatives.

Other net operating income includes net income from assigned receivables, from transfer of tangible and intangible assets, from the share in profit generated on shares and deposits in equivalence, from transfer of shares and deposits, from other operations, and other net operating income.

The source of data is report Bil (NBS) 2 – 12.

B 1.3 Profitability ratios of banks and foreign banks and their distribution in the banking sector

Calculation of respective indices:

- *ROA* = return on assets, cumulative net profit to average net assets ratio (Source: Bil (NBS) 2 – 12, Bil (NBS) 1 – 12)
- *ROE* = return on equity, cumulative net profit to average own funds ratio; the calculation does not include branches (Source: Bil (NBS) 2 – 12, BD (HVZ) 19 – 12)
- *Cost-to-income ratio* = cumulative operating costs to cumulative total of net interest and non-interest income ratio (Source: Bil (NBS) 2 – 12)
- *Relative significance of interest income* = cumulative net interest income to cumulative total of net interest and non-interest income ratio (Source: Bil (NBS) 2 – 12)
- *Net interest spread* = the difference between the share of the cumulative value of revenues (interest and non-interest) other than interest revenues from defaulted assets on the average volume of loans provided to a given counterparty and the share of the cumulative value of costs on the average volume of deposits provided to a given counterparty (Source: V (NBS) 13 – 04)
- *Net interest margin* = the share of net interest incomes reduced by interest incomes from the defaulted assets, on the average value of net assets (Source: Bil (NBS) 2 – 12, Bil (NBS) 1 – 12)

The values of the minimum, lower quartile, median, upper quartile, and the maximum represent the distribution of the values of the given ratio in the banking sector. The value of the lower quartile here expresses that value of the given indicator that 25% of all banks (expressed by number) have a value of the given indicator equal to at most the value of the lower quartile (or lower). Analogously, the value of the median expresses that value of the indicator that 50% of all banks have a value of the given indicator equal to at most the value of the median. Finally, the value of the upper quartile expresses that value of the indicator that 75% of all banks have a value of the given indicator equal to at most the value of the upper quartile. As the given distribution disregards the size of the individual banks, this size is factored in percentage shares given in brackets. For example, the number below the first quartile represents the share of the banks (measured by the volume of assets) whose value of the given ratio lies in a closed interval between the minimum value and the lower quartile value. Similarly, the value below the median represents the share of the banks whose value of the given ratio lies in the interval (closed from the right) between the lower quartile value and the median value.

B 1.4 Risk and capital adequacy ratios of banks and branches of foreign banks and their distribution in the banking sector

Calculation of respective indices:

- *Share of non-performing loans on the total volume of loans to customers* = the share of the gross value of defaulted loans to customers on the total gross value of loans provided (Source: V (NBS) 33 – 12)
- *Share of provisions on the volume of defaulted loans* = the share of provisions created on the gross value of non-standard, doubtful and loss-making loans (Source: BD (ZPZ) 1 – 04)
- *Large asset exposure (weighted) / own funds* = share of weighted large asset exposure to own funds; according to the Banks Act this share may not exceed 800% (Act No 483/2001 Coll. 39(2); does not concern branches of foreign banks, (Source: BD (HMA) 8 – 12, part BazilejII_C).

- *Large asset exposure within groups* – monitors the number of breaches of limits set by the Banks Act (§39(1)) as at the end of individual months, does not concern branches of foreign banks, (Source: BD (HMA) 8 – 12, part BazilejII_A and BazilejII_B).
- *Share of the claimable value of quarantees on the total volume of non-performing loans to customers* – the indicator does not include banks that pursuant to Decree of the NBS No 6/2009 have not classed receivables into individual groups due to the creation of provisions on a portfolio basis according to International Accounting Standards, (Source: BD (ZPZ) 1 – 04).
- *Forex open balance-sheet position/own funds* = share of the difference between assets and liabilities held in a foreign currency on own funds (Source: Bil (NBS) 1 – 12)
- *Forex open off-balance-sheet position/own funds* = share of the difference between off-balance-sheet assets and liabilities (with the exception of redistribution and registration accounts and receivables/payables in entrusted funds) held in a foreign currency on own funds (Source: Bil (NBS) 1 – 12)
- *Total open forex position/own funds* = share of the sum of balance-sheet and off-balance-sheet forex position on own funds; a positive value for the forex position means a risk of loss from an appreciation of the domestic currency (Source: Bil (NBS) 1 – 12)
- *Change of economic value of trading book/balance sheet without/including interest rate derivatives / Own Funds (without branches)* – change of economic value of trading book/balance sheet (without/including interest rate derivatives) in case of an immediate parallel upward shift of all interest rates by 100 basis points as a share of own funds. 'Economic value' means the difference between the fair value of interest rate-sensitive assets and the fair value of interest rate-sensitive liabilities; interest rate sensitive assets and interest rate-sensitive liabilities are assets and liabilities whose fair value varies according to changes in market interest rates.
- *Total open interest-rate position/own funds* = share of the difference between assets and liabilities and net positions calculated from underlying instruments from derivative transactions with interest rate fixation or with a residual maturity shorter than the given time period (1 month, 1 year, 5 years) on the total volume of own funds (Source: BD (HUC) 53 – 04, BD (HVZ) 19 – 12)
- *Indicator of liquid assets* = the share of liquid assets on the volume of volatile funds. according to Article 13 of Decree of the NBS No 18/2008 as amended, the value of this indicator may not be below 1.
- *Share of immediately liquid assets on highly volatile funds*: Immediately liquid assets include funds in cash and purchased NBS bills and Treasury bills other than Treasury bills held to maturity and current-account balances at central and other banks. Highly volatile funds include current accounts of central and other banks, current accounts and other sight deposits of customers and all general government deposits (Source: Bil (NBS) 1 – 12)
- *Share of liquid assets (including collateral from reverse repo trades) on volatile funds*: Liquid assets other than immediately liquid assets include securities received from reverse repo trades, Treasury bills held to maturity and all purchased government bonds; their value however is reduced by pledged securities and collaterals provided in repo trades. Volatile funds include also customers' term deposits (Source: Bil (NBS) 1 – 12, V (NBS) 8 –12)
- *Fixed and illiquid assets indicator* = the share of fixed and illiquid assets on selected liability items; according to Article 13 of Decree of the NBS No 18/2008 as amended, this indicator may not exceed the value 1 (does not concern branches of foreign banks) (Source: BD (LIK) 3 – 12)
- *Share of loans on deposits and issued securities* (Source: Bil (NBS) 1 – 12)
- *Total liquidity position/assets* = share of the difference between assets and liabilities in a given time period (up to 7 days, or up to 3 months) on the balance sheet total. The calculation of the indicator does not include balance-sheet items on which a right of lien is established. In addition,

the calculation does not include off-balance-sheet items other than commitments to accept/provide credit and the values of underlying instruments in the spot and futures operations (but only those in which the underlying instrument is a financial asset that is exchanged for this underlying instrument) (Source: BD (LIK) 3 – 12)

- *Capital adequacy* = the share of own funds on risk-weighted assets (may not fall below the 8% limit) (Source: BD (PVZ) 20 – 12, BD (HVZ) 19 – 12)
- *Tier I ratio* = the share Tier I capital on risk-weighted assets (Source: BD (PVZ) 20 – 12, BD (HVZ) 19 – 12); the numerator of this ratio (Tier I capital) is calculated as the amount of of the bank's core equity capital as defined in Article 4 of Decree No 4/2007 of Národná banka Slovenska on banks' own funds and banks' capital requirements and on investment firms' own funds and investment firms' capital requirements (as amended), adjusted in accordance with Article 6(3) of this Decree
- *Tier I to own funds* = the share of registered capital less the respective part of items reducing the value of registered and additional capital on the total volume of own funds (Source: BD (HVZ) 19 – 12)
- *Share of own funds on the balance-sheet total*, (Source: BD (HVZ) 19 – 12)
- *Share of the possible loss on own funds in reaching 8% capital adequacy* = the share of the loss caused by a fall in the value of the capital adequacy indicator to 8%, on the total volume of own funds (Source: BD (PVZ) 20 – 12, BD (HVZ) 19 – 12)

B 5 Security dealers

Abbreviations used:

IS-1 – acceptance of a client's instruction to buy, sell or otherwise use investment instruments, and to subsequent forwarding of the client's instruction for the purpose of its execution..

IS-2 – acceptance of a client's instruction to buy or sell an investment instrument and its execution for an account other than the service provider's account.

IS-3 – acceptance of a client's instruction to buy or sell an investment instrument and its execution for their own account.

B 6 Stock exchange

The source of data is the monthly statistics of the Stock Exchange.