## The template on the O-SII and G-SII buffer[1]

| 1. Notifying national authority (If several designated authorities, please mention all of them) | |
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| **1.1 Name of the notifying authority** | National Bank of Belgium |
| **1.2 Date when the decision referred to in Article 5 of the SSMR shall be taken.** | 30 October 2015 |
| **2. Buffer levels and the institution to which they apply** | |
| **2.1 Categorisation of measures** | Implementation of O-SII buffer. |
| **2.2 Concerned institution or group of institutions** | On which institution is the measure applied?<br>a. Name of the individual institution and identifier (LEI code)<br>b. Axa Bank Europe (LSGM84136ACA92XCN876)Name of the parent company of the institution<br>Groupe Axa<br>c. Names of the subsidiaries of the institution<br>Axa Bank Europe IFRS Financial Statements 2014, p. 93<br>https://www.axabank.be/~/media/documents/axa-bank-europe/financial-publications/2014-abe-ifrs-en-final_v2.pdf?dmc=1&la=nl&ts=20151015t1538574478<br>d. If parent institution, are subsidiaries notified as O-SII (please list)?<br>No. |
| **2.3 Level of the buffer applied** | 0.75%, phased in over three years (i.e. 0.25% from 1 January 2016, 0.5% from 1 January 2017 and 0.75% from 1 January 2018). |
| **2.4 Firm level at which the buffer is applied** | Sub-consolidated and individual level. |
| **2.5 Information on other buffers already in application** | No other buffers already in application. |

[1] To be filled in and submitted for each O-SII/G-SII.

<table>
<tr><td>2.6 Annual review of the G-SII or O-SII<br>(Articles 131.6 and 131.12)</td><td>Not applicable.</td></tr>
<tr><td colspan="2">3. Rational for activation of the G-SII and O-SII buffer</td></tr>
<tr><td>3.1 Description of the G-SII<br>(Article 131.2)</td><td>Not applicable.</td></tr>
<tr><td>3.2 Indicators used for designation of the G-SII<br>(Article 131.2 and 131.9)</td><td>Not applicable.</td></tr>
<tr><td>3.3 Description of the O-SII<br>(Article 131.3)</td><td rowspan="2">We use the criteria outlined and defined in the methodology of the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) CRD in relation to the assessment of other systemically important institutions (O-SIIs) published on 16 December 2014:
<table>
<tr><th>Criterion</th><th>Indicators</th><th>Weight</th></tr>
<tr><td>Size</td><td>Total assets</td><td>25.00%</td></tr>
<tr><td rowspan="3">Importance (including substitutability/financial system infrastructure)</td><td>Value of domestic payment transactions</td><td>8.33%</td></tr>
<tr><td>Private sector deposits from depositors in the EU</td><td>8.33%</td></tr>
<tr><td>Private sector loans to recipients in the EU</td><td>8.33%</td></tr>
<tr><td rowspan="3">Complexity/cross-border activity</td><td>Value of OTC derivatives (notional)</td><td>8.33%</td></tr>
<tr><td>Cross-jurisdictional liabilities</td><td>8.33%</td></tr>
<tr><td>Cross-jurisdictional claims</td><td>8.33%</td></tr>
<tr><td rowspan="3">Interconnectedness</td><td>Intra-financial system liabilities</td><td>8.33%</td></tr>
<tr><td>Intra-financial system assets</td><td>8.33%</td></tr>
<tr><td>Debt securities outstanding</td><td>8.33%</td></tr>
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With its O-SII score calculated according to the EBA O-SII methodology exceeding the 3.5% threshold recommended by EBA, Axa Bank Europe automatically qualifies as an O-SII.</td></tr>
<tr><td>3.4 Indicators used for designation of the O-SII<br>(Article 131.3)</td></tr>
<tr><td>3.5 Calibrating the O-SII buffer</td><td>Several criteria were accounted for in the O-SII buffer calibration, among others:<br>• The institution’s systemic importance as measured by its size and O-SII score.<br>• Historical losses in the Belgian banking sector.<br>• Stress test results.<br>• Level playing field and single market considerations (with respect to O-SII buffer levels and total capital requirements for O-SIIs in other EU jurisdictions).</td></tr>
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<td>3.6 In case of O-SII: Suitability, effectiveness and proportionality of measure<br>(Article 131.7)</td>
<td>Please provide:<br>
a) the justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk;<br><br>
Domestic systemically important banks (D-SIBs) are banks whose failure would have an impact on the domestic financial system or real economy. The rationale for imposing capital buffers on systemically important banks (SIBs) is at least twofold. First, capital buffers reduce the probability of failure of SIBs, which may be desirable given the high economic and social cost of their failure. Second, capital buffers require SIBs to internalize externalities they impose on the financial system, and the buffers may provide incentives for SIBs to reduce their systemic importance.<br><br>
The Belgian banking sector is large (over 250% of GDP) and highly concentrated, with the four largest banks representing about 80% of total assets and the eight identified O-SIIs over 90%. Axa Bank Europe’s total assets are equal to 11% of Belgian GDP.<br><br>
The O-SII buffers applicable to Belgian banks were calibrated accounting for the banks’ systemic importance. Banks with a higher O-SII score need to hold a higher O-SII buffer. To this end, Belgian O-SIIs were allocated to two buckets, to which a unique O-SII buffer will apply. Axa Bank Europe is in the bucket that contains the O-SIIs with the lowest O-SII scores.<br><br>
Furthermore, the calibration of the O-SII buffers levels explicitly accounted for level playing field and internal market considerations.<br><br>
Given the above considerations, the imposed level of the O-SII buffer is expected to be both effective and proportionate.<br><br>
b) an assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on information which is available to the Member State.<br><br>
The higher capital requirements following the implementation of the O-SII buffer will structurally increase the resilience of Belgian systemically important banks. This positively affects the stability of the financial system and the real economy in Belgium, and with that, the internal market.<br><br>
As the O-SII buffer is applied to the Belgian systemically relevant institutions at the consolidated level, there may be an impact on individuals or companies outside Belgium through exposures of subsidiaries and branches of Belgian banks in other jurisdictions. However, we expect that this impact will be limited for several reasons.<br>
• First, for most banks, exposures in Member States other than Belgium (both in terms of total assets and loans and advances to non-financial corporations and households) generally amount to only a small fraction of these Member States’ GDP. FINREP data shows that Axa Bank Europe’s activities in other Member States are indeed negligible in terms of these Member States’ GDP.<br>
• Second, the capital levels of the banking groups are already well above the intended levels; individual bank CET1 projections show that, with the foreseen phase-in period of 3 years, they should be able to hold a sufficient margin above the requirements over the period 2015-2019. We therefore expect that banks will be able to continue developing activities to support the real economy both in Belgium and the rest of the EU.</td>
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<td>3.7 In Case of O-SII, assessment of spillovers and likely impact on the internal market<br>(Article 131.6)</td>
<td>See above. In fact, the calibration of the O-SII buffers levels explicitly accounted for level playing field and internal market considerations.</td>
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| **3.8 Assessment of leakages** | The scope for leakages is expected to be limited for a number of reasons.<br>• First, the O-SII buffer is applied to the Belgian systemically relevant institutions at the consolidated level, which avoids (geographical) shifts of activities within groups. Universal banks may shift activities from the bank to the insurance part of the group.<br>• Second, Belgian O-SIIs may restrict activities in order to reduce their systemic importance, which may entail a shift to activities to other bank or non-bank entities. However, we expect this incentive to be small, as the reduction in activities needed for the large Belgian O-SIIs in order to bring their O-SII scores down to a level that would put them in a lower bucket with a lower buffer is very large. Furthermore, possible shifts of activities also have beneficial effects if they are the result of SIBs internalizing externalities they impose on the financial system and reducing their systemic importance.<br>• Third, the capital levels of the banking groups are already well above the intended levels; individual bank CET1 projections show that, with the foreseen phase-in period of 3 years, they should be able to hold a sufficient margin above the requirements over the period 2015-2019. We expect this to reduce incentives for regulatory arbitrage.<br>The NBB will closely monitor any of these potential leakages. |
| **3.9 Other relevant information** | Not applicable. |
| **4. Combinations and timing of the G-SII or O-SII notified** | |
| **4.1 combinations between G-SII and OSII buffers (Article 131.14)** | Not applicable. |
| **4.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)** | Not applicable. |
| **4.3 Combined buffer requirement (Article 131.16 and Article 131.17)** | Not applicable. |
| **4.4 O-SII requirement for a subsidiary (Article 131.8)** | Not applicable. |
| **4.5 Timing of the measure** | The intended date of activation is 1 January 2016. A three year phase-in period in steps of 0.25% points is foreseen. |
| **4.6 Review of the measure** | The O-SII buffer will be reviewed annually. |
| **5. Miscellaneous** | |

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| **5.1 Disclosure** | The intended date of publication is 1 January 2016.<br>The National Bank of Belgium will fulfil all legal notification and publication requirements. The measure will be published on the National Bank of Belgium's website (www.nbb.be). In addition, concerned institutions will be informed bilaterally. |
| **5.2 Contact person(s) at notifying authority** | Janet Mitchell<br>janet.mitchell@nbb.be<br>+32 2 221 34 59 |
| **5.3 Any other relevant information** | |