

## The ESRB template on the O-SII buffer: AIB

<b>1. Notifying national authority (If several designated authorities, please mention all of them)</b>	
<b>1.1 Name of the notifying authority</b>	Central Bank of Ireland
<b>2. Buffer levels and the institution to which they apply</b>	
<b>2.1 Categorisation of measures</b>	Which measure do you intend to implement? - O-SII
<b>2.2 Concerned institution or group of institutions</b>	On which institution is the measure applied? a. Name of the individual institution <i>Allied Irish Bank plc.(AIB)</i> b. Name of the parent company of the institution <i>Allied Irish Bank plc.(AIB)</i> c. Name of the subsidiaries of the institution <i>See pages 344 – 348 in AIB's <a href="#">annual report 2014</a></i> d. If parent institution, are subsidiaries notified as O-SII? <i>No</i>
<b>2.3 Level of the buffer applied</b>	What is the level of the buffer (in %) applied to the institution? <i>1.5%, to be phased in with a rate of 0.5 per cent from 1 July 2019, increasing in steps of 0.5 per cent per year until it reaches 1.5 per cent in 2021.</i>
<b>2.4 Firm level at which the buffer is applied</b>	Is the buffer set on a: <i>Consolidated level</i>
<b>2.5 Information on other buffers already in application</b>	Is the institution subject to a systemic risk buffer? <i>No</i>
<b>2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)</b>	<i>N/A</i>
<b>3. Rational for activation of the G-SII and O-SII buffer</b>	
<b>3.1 Description of the G-SII (Article 131.2)</b>	<i>N/A</i>

<p><b>3.2 Description of the O-SII</b> (Article 131.3)</p>	<p>If notification as a O-SII, please provide information on the criteria used:</p> <ul style="list-style-type: none"> <li>a. size</li> <li>b. importance for the economy of the EU, or relevant Member State</li> <li>c. significance of cross-border activities</li> <li>d. interconnectedness of the institution or group, with the financial system</li> <li>e. other criteria used</li> </ul> <p>See 3.4.</p>
<p><b>3.3 Indicators used for designation of the G-SII</b> (Article 131.2 and 131.9)</p>	<p>N/A</p>
<p><b>3.4 Indicators used for designation of the O-SII</b> (Article 131.3)</p>	<p>Please provide information on:</p> <ul style="list-style-type: none"> <li>a. which of the criteria mentioned under 3.2 was used to qualify the institution as an O-SII</li> <li>b. whether and how you followed the EBA guidelines</li> </ul> <p><i>As a first step in the O-SII identification process, the Central Bank carried out the mandatory assessment laid out by the European Banking Authority (EBA) Guidelines on the Assessment of O-SIIs ('the GLs'). The only institution to be identified in accordance with the mandatory indicators was BOI, which exceeded the lower threshold (275bps) for identification. This result is due to the large number of international banks headquartered in Ireland and the fact that the mandatory indicators do not have a heavy emphasis on the provision of services to the domestic economy. For these reasons, it was decided to proceed to step two (optional indicators) under the GLs, which allows for a supervisory overlay.</i></p> <p><i>Indicators were selected from the EBA's list of optional indicators as those which best reflect the Irish banking sector and were categorised under the five following headings:</i></p> <ul style="list-style-type: none"> <li>- <b>Size</b> - <i>To understand the overall size of the institution when compared to the overall banking sector.</i></li> <li>- <b>Retail Indicators</b> - <i>To establish the institution's importance to the retail banking sector.</i></li> <li>- <b>Corporate Indicators</b> - <i>To establish the institution's importance to the corporate banking sector.</i></li> <li>- <b>Payments</b> – <i>To understand the institution's interconnectedness with the processing of interbank payments through the Target II system.</i></li> <li>- <b>Reputational Indicators</b> - <i>To assess the complexity of the institution and to understand the potential reputational impact should an issue occur with an Irish authorised bank.</i></li> </ul> <p><i>Each of the above categories was assigned a weighting, with the retail and corporate indicators assigned a higher weighting than the others given the importance of these sectors to the domestic economy. The size, retail and corporate categories of the optional assessment account for a substantial portion of the total weight, which is a reflection of the significance of the retail banks to the Irish economy.</i></p> <p><i>As a result of the identification assessment, it has been decided to designate both AIB and BOI as O-SIIs. This reflects the significance of these institutions compared to all other banks in the Irish banking sector and takes account of these institutions' interconnectedness with the economy, high concentration of retail and corporate market share and the relative size of the institutions compared to GDP.</i></p> <p><i>A similar assessment was carried out for investment firms. This assessment led to no investment firms being identified as O-SIIs for 2016.</i></p>

<p><b>3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure</b> (Article 131.7)</p>	<p>Please provide:</p> <ul style="list-style-type: none"> <li>a) the justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk;</li> <li>b) an assessment of the likely positive or negative impact of the O-SII buffer on the single market, based on information which is available to the Member State.</li> </ul> <p><i>The process for setting a buffer rate on O-SIIs in Ireland involved an assessment of:</i></p> <ol style="list-style-type: none"> <li>1. <i>The structure of the domestic banking system:</i> <i>The structure of the domestic banking system, including size and concentration were considered, in line with the Basel Committee on Banking Supervision Framework for Dealing with Domestic Systemically Important Banks.</i></li> <li>2. <i>The systemic importance of the institutions:</i> <i>The results of the identification assessment and an analysis of the importance of the systemic institutions in the domestic lending and deposit markets were considered.</i></li> <li>3. <i>A peer review of other countries:</i> <i>In setting a buffer rate for the two institutions, the Central Bank also looked at the characteristics of European banks where an O-SII buffer has already been set and the size of these buffers.</i></li> </ol> <p><i>Ireland has an extremely concentrated banking system, with a small number of banks providing intermediation activities to the Irish private sector. The Irish banking sector is still large relative to the economy, with the domestic banking sector around 140 per cent of GDP and including the foreign subsidiaries, both retail and wholesale, the total is over 260 per cent of GDP.</i></p> <p><i>In this context, both AIB and BOI are extremely important to the domestic economy, with individual total assets exceeding 50 per cent of GDP and each accounting for at least a quarter of loans and deposits to Irish residents. Given the importance of these institutions in the provision of credit to the domestic economy, buffers are being set for both banks at 1.5 per cent.</i></p> <p><i>In determining the optimal time to deploy the O-SII buffer requirement for these institutions, there is a trade-off between allowing the banks to continue to recover and to support Irish economic growth and requiring them to build adequate buffers to ensure resilience, regain competitiveness within their international peer group and to provide insurance against future moral hazard in a timely manner. For this reason, the O-SII buffer requirement is being phased in between 2019 and 2021.</i></p>
<p><b>3.6 In Case of O-SII, Assessment of likely impact on the internal market</b> (Article 131.6)</p>	<p>Please motivate set out the assessment showing that the O-SII buffer requirement may not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or of the EU as a whole forming or creating an obstacle to the functioning of the internal market.</p> <p><i>The O-SII buffer for AIB has been calibrated with reference to the buffer setting of other EU states and is consistent with the buffer rates in other countries. The application of an O-SII buffer to AIB is expected to increase resilience of the Irish financial system, which will have positive spillovers to the EU financial system. The buffers are being phased-in to avoid any negative impact on credit growth in the domestic economy or in the other countries in which it is active.</i></p>
<p><b>4. Combinations and timing of the G-SII or O-SII notified</b></p>	

<b>4.1 combinations between G-SII and OSII buffers (Article 131.14)</b>	N/A
<b>4.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</b>	N/A
<b>4.3 Combined buffer requirement (Article 131.16 and Article 131.17)</b>	N/A
<b>4.4 Timing of the measure</b>	<i>The O-SII buffer requirement is being phased in for both institutions, with a rate of 0.5 per cent from 1 July 2019, increasing in steps of 0.5 per cent per year until it reaches 1.5 per cent in 2021.</i>
<b>4.5 Review of the measure</b>	<i>The O-SII buffer will be reviewed annually.</i>
<b>5. Miscellaneous</b>	
<b>5.1 Disclosure</b>	<i>Central Bank of Ireland website (<a href="http://www.centralbank.ie">www.centralbank.ie</a>), with publication date one month after notification to the ESRB and a box in the 2015:2 <a href="#">Macro-Financial Review</a>.</i>
<b>5.2 Contact person(s) at notifying authority</b>	Niamh Hallissey +353 1 224 6823 <a href="mailto:Niamh.hallissey@centralbank.ie">Niamh.hallissey@centralbank.ie</a>
<b>5.3 Any other relevant information</b>	

## The ESRB template on the O-SII buffer: BOI

4. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	Central Bank of Ireland
5. Buffer levels and the institution to which they apply	
2.1 Categorisation of measures	Which measure do you intend to implement? - O-SII
2.2 Concerned institution or group of institutions	On which institution is the measure applied? a. Name of the individual institution <i>The Governor and Company of the Bank of Ireland (BOI)</i> b. Name of the parent company of the institution <i>The Governor and Company of the Bank of Ireland (BOI)</i> c. Name of the subsidiaries of the institution <i>See page 274 in BOI's <a href="#">annual report 2014</a></i> d. If parent institution, are subsidiaries notified as O-SII? <i>No</i>
2.3 Level of the buffer applied	What is the level of the buffer (in %) applied to the institution? <i>1.5%, to be phased in with a rate of 0.5 per cent from 1 July 2019, increasing in steps of 0.5 per cent per year until it reaches 1.5 per cent in 2021.</i>
2.4 Firm level at which the buffer is applied	Is the buffer set on a: <i>Consolidated level</i>
2.5 Information on other buffers already in application	Is the institution subject to a systemic risk buffer? <i>No</i>
2.6 Annual review of the G-SII or O-SII (Articles 131.6 and 131.12)	<i>N/A</i>
6. Rational for activation of the G-SII and O-SII buffer	
3.1 Description of the G-SII (Article 131.2)	<i>N/A</i>

<p><b>3.2 Description of the O-SII</b> (Article 131.3)</p>	<p>If notification as a O-SII, please provide information on the criteria used:</p> <ul style="list-style-type: none"> <li>f. size</li> <li>g. importance for the economy of the EU, or relevant Member State</li> <li>h. significance of cross-border activities</li> <li>i. interconnectedness of the institution or group, with the financial system</li> <li>j. other criteria used</li> </ul> <p>See 3.4.</p>
<p><b>3.3 Indicators used for designation of the G-SII</b> (Article 131.2 and 131.9)</p>	<p>N/A</p>
<p><b>3.4 Indicators used for designation of the O-SII</b> (Article 131.3)</p>	<p>Please provide information on:</p> <ul style="list-style-type: none"> <li>c. which of the criteria mentioned under 3.2 was used to qualify the institution as an O-SII</li> <li>d. whether and how you followed the EBA guidelines</li> </ul> <p><i>As a first step in the O-SII identification process, the Central Bank carried out the mandatory assessment laid out by the European Banking Authority (EBA) Guidelines on the Assessment of O-SIIs ('the GLs'). The only institution to be identified in accordance with the mandatory indicators was BOI, which exceeded the lower threshold (275bps) for identification. This result is due to the large number of international banks headquartered in Ireland and the fact that the mandatory indicators do not have a heavy emphasis on the provision of services to the domestic economy. For these reasons, it was decided to proceed to step two (optional indicators) under the GLs, which allows for a supervisory overlay.</i></p> <p><i>Indicators were selected from the EBA list of optional indicators as those which best reflect the Irish banking sector and were categorised under the five following headings:</i></p> <ul style="list-style-type: none"> <li>- <b>Size</b> - <i>To understand the overall size of the institution when compared to the overall banking sector.</i></li> <li>- <b>Retail Indicators</b> - <i>To establish the institution's importance to the retail banking sector.</i></li> <li>- <b>Corporate Indicators</b> - <i>To establish the institution's importance to the corporate banking sector.</i></li> <li>- <b>Payments</b> – <i>To understand the institution's interconnectedness with the processing of interbank payments through the Target II system.</i></li> <li>- <b>Reputational Indicators</b> - <i>To assess the complexity of the institution and to understand the potential reputational impact should an issue occur with an Irish authorised bank.</i></li> </ul> <p><i>Each of the above categories was assigned a weighting, with the retail and corporate indicators assigned a higher weighting than the others given the importance of these sectors to the domestic economy. The size, retail and corporate categories of the optional assessment account for a substantial portion of the total weight, which is a reflection of the significance of the retail banks to the Irish economy.</i></p> <p><i>As a result of the identification assessment, it has been decided to designate both AIB and BOI as O-SIIs. This reflects the significance of these institutions compared to all other banks in the Irish banking sector and takes account of these institutions' interconnectedness with the economy, high concentration of retail and corporate market share and the relative size of the institutions compared to GDP.</i></p> <p><i>A similar assessment was carried out for investment firms. This assessment led to no investment firms being identified as O-SIIs for 2016.</i></p>

<p><b>3.5 In case of O-SII: Suitability, effectiveness and proportionality of measure</b> (Article 131.7)</p>	<p>Please provide:</p> <ul style="list-style-type: none"> <li>c) the justification for why the O-SII buffer is considered likely to be effective and proportionate to mitigate the risk;</li> <li>d) an assessment of the likely positive or negative impact of the O-SII buffer on the single market, based on information which is available to the Member State.</li> </ul> <p><i>The process for setting a buffer rate on O-SIIs in Ireland involved an assessment of:</i></p> <p>4. <i>The structure of the domestic banking system:</i> <i>The structure of the domestic banking system, including size and concentration were considered, in line with the Basel Committee on Banking Supervision Framework for Dealing with Domestic Systemically Important Banks.</i></p> <p>5. <i>The systemic importance of the institutions:</i> <i>The results of the identification assessment and an analysis of the importance of the systemic institutions in the domestic lending and deposit markets were considered.</i></p> <p>6. <i>A peer review of other countries:</i> <i>In setting a buffer rate for the two institutions, the Central Bank also looked at the characteristics of European banks where an O-SII buffer has already been set and the size of these buffers.</i></p> <p><i>Ireland has an extremely concentrated banking system, with a small number of banks providing intermediation activities to the Irish private sector. The Irish banking sector is still large relative to the economy, with the domestic banking sector around 140 per cent of GDP and including the foreign subsidiaries, both retail and wholesale, the total is over 260 per cent of GDP.</i></p> <p><i>In this context, both AIB and BOI are extremely important to the domestic economy, with individual total assets exceeding 50 per cent of GDP and each accounting for at least a quarter of loans and deposits to Irish residents. Given the importance of these institutions in the provision of credit to the domestic economy, buffers are being set for both banks at 1.5 per cent.</i></p> <p><i>In determining the optimal time to deploy the O-SII buffer requirement for these institutions, there is a trade-off between allowing the banks to continue to recover and to support Irish economic growth and requiring them to build adequate buffers to ensure resilience, regain competitiveness within their international peer group and to provide insurance against future moral hazard in a timely manner. For this reason, the O-SII buffer requirement is being phased in between 2019 and 2021.</i></p>
<p><b>3.6 In Case of O-SII, Assessment of likely impact on the internal market</b> (Article 131.6)</p>	<p>Please motivate set out the assessment showing that the O-SII buffer requirement may not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or of the EU as a whole forming or creating an obstacle to the functioning of the internal market.</p> <p><i>The O-SII buffer for BOI has been calibrated with reference to the buffer setting of other EU states and is consistent with the buffer rates in other countries. The application of an O-SII buffer to BOI is expected to increase resilience of the Irish financial system, which will have positive spillovers to the EU financial system. The buffers are being phased-in to avoid any negative impact on credit growth in the domestic economy or in the other countries in which it is active.</i></p>
<p><b>6. Combinations and timing of the G-SII or O-SII notified</b></p>	

<b>4.1 combinations between G-SII and OSII buffers (Article 131.14)</b>	N/A
<b>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</b>	N/A
<b>4.3 Combined buffer requirement (Article 131.16 and Article 131.17)</b>	N/A
<b>4.4 Timing of the measure</b>	<i>The O-SII buffer requirement is being phased in for both institutions, with a rate of 0.5 per cent from 1 July 2019, increasing in steps of 0.5 per cent per year until it reaches 1.5 per cent in 2021.</i>
<b>4.5 Review of the measure</b>	<i>The O-SII buffer will be reviewed annually.</i>
<b>7. Miscellaneous</b>	
<b>5.1 Disclosure</b>	<i>Central Bank of Ireland website (<a href="http://www.centralbank.ie">www.centralbank.ie</a>), with publication date one month after notification to the ESRB and a box in the 2015:2 <a href="#">Macro-Financial Review</a>.</i>
<b>5.2 Contact person(s) at notifying authority</b>	Niamh Hallissey +353 1 224 6823 <a href="mailto:Niamh.hallissey@centralbank.ie">Niamh.hallissey@centralbank.ie</a>
<b>5.3 Any other relevant information</b>	