



Communication Department

## PRESS RELEASE

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### **The Banco de España applies the ECB recommendation on dividend distribution and variable compensation to the credit institutions under its direct supervision**

The effects of the COVID-19 pandemic continue to influence developments in our economy, generating an impact whose duration and depth is not exempt from uncertainty. Against this background, **in March** the European Central Bank (ECB) asked banks to refrain from paying dividends for 2019 and 2020 until October 2020. Given the course of the crisis prompted by COVID-19, **in July** the ECB decided to extend that recommendation until January 2021. This exceptional decision reflected the high levels of uncertainty which the global economy faced at that time.

Despite the impact of the COVID-19 pandemic on the economy, revised macroeconomic forecasts are close to the central scenario used in the vulnerability analysis conducted by the ECB in the first half of the year, which confirmed the resilience of the European banking sector.

Taking these considerations into account, the ECB has today adopted a **new recommendation** for all significant credit institutions in the euro area in relation to the distribution of dividends for 2019 and 2020.

The latest recommendation again expects credit institutions to exercise extreme prudence in their dividend distribution and share buy-back policies, such that this remuneration remains below 15% of their accumulated profit for 2019 and 2020 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio.

The current dividend distribution recommendation aims to safeguard the capacity of credit institutions to absorb losses and support the real economy throughout this shock period.

This recommendation, issued on the basis of the exceptional circumstances referred to above, will remain valid until the end of September 2021. At that time, in the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' dividend distribution plans in the normal supervisory cycle.

The ECB also reiterates the supervisory expectations that banks adopt extreme moderation on variable remuneration over the same time horizon as foreseen for the recommendation on dividend distribution.


The Banco de España has applied this recommendation to the credit institutions under its direct supervision.

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