

EBF STATEMENT

EBF acknowledges ECB decision to extend its recommendation on dividend distributions

- **Banks resilient to stress caused by coronavirus shows ECB vulnerability study**

BRUSSELS, 28 July 2020 - The European Banking Federation (EBF) takes note of the European Central Bank's decision to extend its recommendation on banks dividend distributions, asking now not to pay dividends and not to buy back shares until January 2021. The ECB will review its recommendation in the fourth quarter of 2020. The EBF also understands from ECB's recommendation that should the environment not worsen by that time, banks will be allowed to pay dividend and buy back shares on 2019 and 2020 net income or from excess capital.

Banks acknowledge the importance of being precautionary, as well as their essential role to continue supporting businesses and households in this environment of exceptional uncertainty due to the COVID19 pandemic. Still dividends suspension should remain an extraordinary measure. Important will be for banks and investors to understand on what criteria the ECB will assess again the situation in Q4 2020. Clarity will be needed on who can pay what and when, based on clearly defined objective criteria. The decision should be made on a case by case basis recognising the macroeconomic environment and the financial stability.

The recently published results of the ECB vulnerability analysis on the Euro area banking sector also shows that the sector remains resilient to stress caused by coronavirus. Under the central scenario, the most likely to materialise according to ECB, banks at an aggregate level can withstand the pandemic stress, and therefore continue fulfilling their role of lending to the economy. The European banking sector reiterates its commitment to helping businesses and households navigate the unprecedented challenges posed by the global COVID-19 pandemic.

BACKGROUND:

www.ebf.eu/covid-19

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ABOUT THE EBF:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The EBF is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere. Website: www.ebf.eu

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