

Press release

23 July 2021

ECB decides not to extend dividend recommendation beyond September 2021

- Current ECB recommendation on dividends to expire on 30 September 2021
- Supervisors to return to pre-pandemic way of assessing banks' capital and dividend plans
- Banks to remain prudent, not underestimate credit risk when they decide on dividends

The European Central Bank (ECB) today decided not to extend beyond September 2021 its recommendation that all banks limit dividends. Instead, supervisors will assess the capital and distribution plans of each bank as part of the regular supervisory process.

[In March 2020](#) the ECB asked banks not to pay dividends with the aim of boosting their capacity to absorb losses and to support lending to households, small businesses and corporates during the coronavirus (COVID-19) pandemic. A similar recommendation [was repeated in July](#), while [in December the ECB recommended that banks limit their dividend payments](#). The same applied to share buy-backs.

The [latest macroeconomic projections](#) confirm the economic rebound and point to reduced uncertainty, which is improving the reliability of banks' capital trajectories. Supervisors have reviewed banks' credit risk practices during the pandemic. As a result, it is appropriate to reinstate the previous supervisory practice of discussing capital trajectories and dividend or share buy-back plans with each bank in the context of the normal supervisory cycle.

However, banks should remain prudent when deciding on dividends and share buy-backs, carefully considering the sustainability of their business model. They should also not underestimate the risk that additional losses may later have an impact on their capital trajectory as support measures expire.

When assessing a bank's capital trajectory and its distribution plans, supervisors will take a forward-looking view duly informed by the results of the 2021 stress test. Supervisors will also carefully consider the bank's credit risk practices which may affect the credibility of its capital trajectory. Supervisors will engage with banks over the summer as part of the regular supervisory dialogue.

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The recommendation on dividends remains applicable until 30 September 2021, meaning the next decisions to pay dividends should take place in the fourth quarter of 2021. More details are available in the related [FAQs](#).

The ECB also asks banks to adopt a prudent and forward-looking approach when deciding on remuneration policies. As part of its supervisory review process, the ECB will continue to assess banks' remuneration policies and the impact such policies may have on a bank's ability to maintain a sound capital base.

The national competent authorities are expected to follow the same approach with the banks they directly supervise.

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