

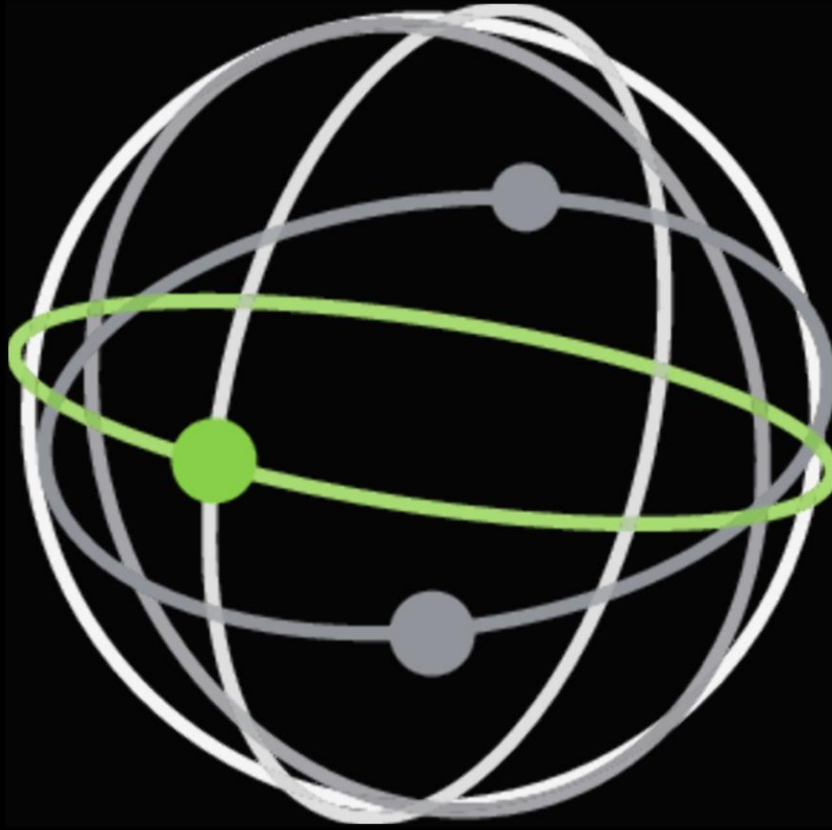
**CTSU**

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EBA statement on dividends distribution, share buybacks and variable remuneration

On 31 March, the European Banking Authority (“EBA”) issued a statement regarding the most appropriate prudential measures to be adopted by banks with regard to the distribution of dividends, share repurchases and variable remuneration within the scope of current context introduced by the COVID-19 pandemic.

In the aforementioned statement, the EBA expressed its agreement with all measures adopted in order for banks to maintain sound capital bases and provide support to the economy. EBA also took the opportunity to emphasize that the capital relief resulting from the measures adopted by several authorities, national and European, in response to the pandemic of COVID-19, should be used to finance the business and household sectors, to the detriment of dividends distribution, share buybacks or any form of shareholder remuneration.

In addition, the EBA urged banks to refrain from distributing dividends or carrying out share buybacks that involve a distribution of capital outside of the banking system, in order to guarantee its robust capitalization. The European regulator also established that banks that consider themselves to be legally required to distribute dividends or repurchase shares must address their respective national competent authorities.

Regarding the role of banking groups during this moment of crisis, the EBA considers the prudent and efficient allocation of capital between the various group members to be of the utmost importance, in order to assist local and European economies and ensure the functioning of the Single Market.

In addition to monitoring capital allocation within banking groups, national competent authorities are entrusted with the task of asking banks to review remuneration policies and practices in order to promote a sound and effective risk management and reflect the current economic situation. In this sense, the EBA believes that remuneration - in particular, its variable component - should be fixed at a conservative level. In pursuance of alignment between remuneration policies and the risks resulting from the COVID-19 pandemic, the EBA suggests deferring a greater part of the variable component for a longer period, as well as paying a greater proportion in equity instruments.

In Portugal, Banco de Portugal has already had the opportunity to issue a [statement](#) of its own, recommending the non-distribution of dividends referring to the years of 2019 and 2020 until, at least, 1 October of 2020.

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