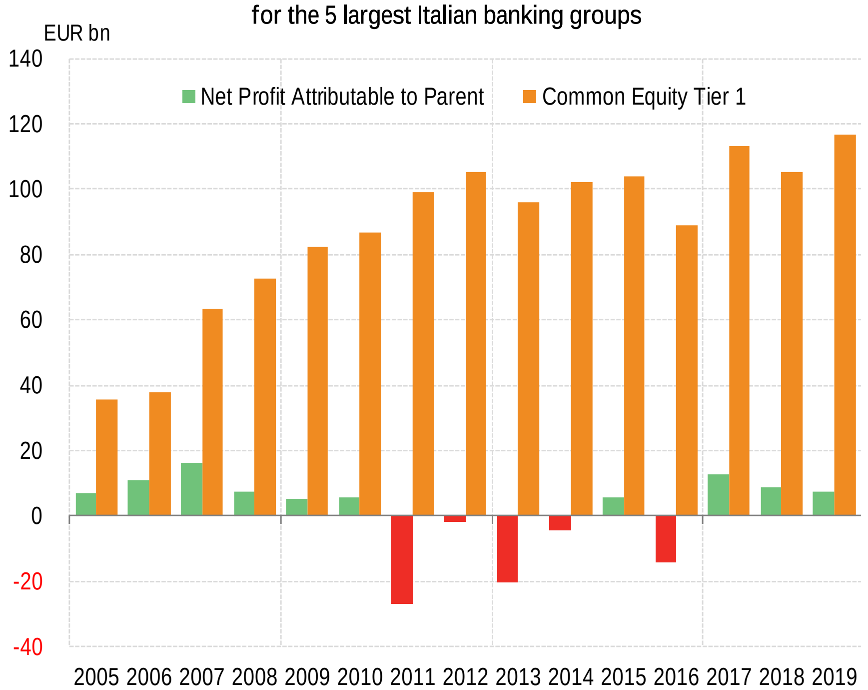
Italian banks: The non-distribution of dividends would represent 4.1% of additional CET1 for banks

Following the example of the ECB for the significant institutions[1], the Bank of Italy has decided to recommend to banks under its direct supervision (the less significant institutions) not to distribute or commit distributing dividends at least until 1 October 2020[2]. Moreover, share buy-backs will have to be restricted and less significant institutions in Italy will have to adopt "prudent and farsighted" variable-remuneration policies.

The five largest Italian banking groups, which account for almost half of the total assets of the domestic banking system, are thus likely to mobilize (in addition to the benefits that were not intended to be distributed) EUR 4.8 billion of additional common equity Tier 1 in 2019[3], representing 4.1% of its current outstanding amount (EUR 116.9 billion). These supplementary reserves will absorb part of the increase in the cost of risk in 2020 and will limit the decrease in regulatory capital, which has increased by 61% since 2008.

The non-distribution of dividends would represent 4.1% of additional CET1 for the 5 largest Italian banking groups



Source: SNL, BNP Paribas

[1] ECB, *ECB asks banks not to pay dividends until at least October 2020,* 27 March 2020
[2] Bank of Italy, *Recommendation of the Bank of Italy on the dividend distribution policies of less significant Italian banks during the Covid-19 pandemic*, 27 March 2020
[3] Estimation based on pay-out ratio proposed by banks or observed in the most recent years.