

DISTRIBUTION OF DIVIDENDS BY BANKING CORPORATIONS

Introduction and Definitions

1. In this regulation:

“**Companies Law**” - The Companies Law, 5759–1999

“**Distribution**” - As defined in the Companies Law, excluding “purchase”.

2. In addition to the restrictions specified in the Companies Law, a banking corporation must meet the restrictions below before undertaking a distribution.

Distributable profits

3. A banking corporation shall not undertake a distribution in the following cases unless it has received prior approval for the distribution from the Supervisor of Banks, and up to the amount approved:

(a) If the banking corporation’s accumulated surplus balance (*less* debit differences, deriving from the translation of financial statements of autonomous units abroad), in accordance with its last published financial statements, is not positive, or if the amount suggested for distribution will cause a surplus balance of that kind.

(b) If one or more of the last three calendar years ended with a loss.

(c) If the accumulated results of the three quarters ending at the conclusion of the interim period to which the last published financial statement refers, shows a loss.

4. In any case, a banking corporation shall not undertake a distribution, unless it has made a written forecast, so that in the year subsequent to the distribution the ratio of capital to risk assets shall not be less than required for that banking corporation.

Distribution from capital funds

5. A banking corporation shall not undertake a distribution from capital funds or from credit differences resulting from the translation of financial statements of autonomous units abroad.

The state of liquidity (12/04)

6. A banking corporation shall not undertake a distribution if in its financial statements, non-financial assets exceed its capital or if the proposed dividend distribution will cause such a situation.

Other restrictions

7. This regulation does not replace other restrictions on certain banking corporations.

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