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Finantsinspektsioon has introduced recommended limits for the distribution of profits by credit institutions, insurance companies and investment firms until the end of September this year. Last year Finantsinspektsioon recommended that dividends should not be paid out at all because of the coronavirus pandemic, but it now recommends that dividends be paid out very conservatively. The decision by Finantsinspektsioon is based on the recommendations issued on 15 December last year by the European Systemic Risk Board (ESRB) and was taken in the interests of financial stability and market transparency.

Chair of the Management Board of Finantsinspektsioon **Kilvar Kessler** said that the Estonian financial sector has so far coped well with the impact of the coronavirus pandemic, managing to earn a profit even under the circumstances, and so it was not reasonable to place a blanket ban on paying out dividends. “As the coronavirus pandemic means that there is still a lot of uncertainty in the financial sector, then we would recommend taking a conservative stance on the distribution of profits. In setting the recommended limits we considered the results and capitalisation of various parts of the financial sector. It is important that financial intermediaries that are subjects of supervision hold sufficient buffers to cover their risks”, he said. “We will consider thoroughly each individual case where a financial intermediary wants to distribute profits above the recommended limit”.

Swedbank, SEB Pank and Luminor come under the direct supervision of the European Central Bank, and so they are subject to the bank’s guidelines that recommend not paying out dividends at the parent bank level, or of paying no more than 15% of the profit of the past two years. The remaining banks in Estonia are permitted by the Finantsinspektsioon recommendation to pay dividends of up to 35% of the profit of the past two years, and when paying out the dividends they may not allow their CET1 own funds ratio to fall by more than 110 basis points.

Investment firms may pay up to half of their profit of 2020 as dividends and may not allow their general capital adequacy ratio to fall below 110%.

Non-life insurance companies paying out dividends may not allow the coverage of their Solvency Capital Requirement (SCR) by own funds to fall below 170%.

Banks, investment firms and insurers operating under an authorisation from Finantsinspektsioon must inform Finantsinspektsioon before they pay out dividends.