

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 (net of debit differences that were included in accumulated other comprehensive profit), 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 or comprehensive 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 or comprehensive loss.

4. In any case, a banking corporation shall not undertake a distribution, unless it has made a written forecast according to which 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 credit differences that were included in accumulated other comprehensive profit or from capital funds.

The state of liquidity

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

Other restrictions

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

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