MFSA MALTA FINANCIAL SERVICES AUTHORITY

Circular

26 August 2026

Circular to Credit Institutions on Dividend Distributions

Since the lifting of the restrictions on dividend distributions and share buy-backs introduced during the COVID-19 pandemic, the Authority has continued to emphasise the importance of prudent capital planning and sound risk management when credit institutions consider distributions to shareholders. In line with its supervisory mandate and ongoing assessment of institutions' capital adequacy, financial resilience and forward-looking risk outlook, the Authority is issuing this Circular to enhance clarity on the process around proposed dividend distributions.

By means of this Circular, the Malta Financial Services Authority ("MFSA" or "the Authority") provides guidance regarding dividend distributions by credit institutions. This Circular is intended solely to explain the Authority's supervisory considerations and does not introduce any additional regulatory requirements.

Dividend distributions are assessed on a case-by-case basis as part of the ongoing supervisory process. In this context, the Authority considers, inter alia, the institution's capital position, risk profile, governance arrangements relating to dividend distributions (including any dividend policy, where applicable), capital planning framework, and forward-looking resilience.

In view of the above, the Authority welcomes proactive engagement and timely communication in relation to dividend distribution decisions. Hence, while not mandatory, it is considered good practice for institutions to formally notify Banking Supervision of their intention to distribute dividends in writing and within a reasonable timeframe prior to such distribution.

Any notifications submitted to the Authority should be accompanied by the information and analysis underpinning the proposed dividend distribution, including the materials presented to the Board of Directors for the latter's consideration and further information that eventually would form the basis of the proposal to be submitted to shareholders for approval. During this assessment period, the institution should immediately notify the Authority should there be any material changes to the underlying assumptions, financial projections, or the institution's capital position which may have a bearing on the proposed dividend distribution or the assessment supporting it.

Once the institution has submitted the notification and the respective documentation, guided by ANNEX A, the Authority will assess the proposed dividend distribution and either issue an acknowledgement letter to the institution or engage further with the institution, as necessary. The Authority may, where deemed necessary, request additional information or documentation to support its assessment of the proposed distribution, in accordance with Article 19(1)(b) of the Banking Act (Chapter 371 of the Laws of Malta).

Annex A includes an indicative and non-exhaustive list of documents that the Authority may consider when assessing the proposed dividend distribution and the internal decision-making process supporting it.

The above is without prejudice to any appropriate measures that may be taken by the Authority, including imposition of specific restrictions on dividends.

ANNEX A

Information to be provided for the assessment of dividend distributions:

1. General Information:

   – The proposed dividend amount; and
   – The institution's capital position both prior to and following the proposed distribution, with reference to the applicable prudential requirements, including the CET1 ratio, Tier 1 ratio and Total Capital ratio, and their corresponding headroom relative to the Overall Capital Requirement plus Pillar 2 Guidance, and MREL plus the Combined Buffer Requirement ("CBR"), where applicable.

2. A signed Board Resolution or a certified true copy extract of the minutes of the Board of Directors' meeting recommending the proposed dividend distribution, where applicable. Related Board documentation should also include reference to the capital projections in line with the latest ICAAP submission and reflecting the impact of the proposed distribution.

3. Where a Dividend Policy is in place, a copy of the institution's approved Dividend Policy. In the absence of a standalone Dividend Policy, the institution shall identify and provide the relevant sections within its internal governance and capital planning framework addressing dividend distributions (e.g. ICAAP, Business Model document or equivalent documentation).

The above documentation shall be provided at both *solo* and *consolidated* levels, as applicable.

In cases where a dividend distribution is proposed at holding company level, the institution or holding company shall submit the same documentation requirements listed above from the financial holding company's perspective, in cases where the financial profile of the institution and the holding company have material differences.

Any queries in relation to the above should be directed to the respective analyst from the Banking Supervision Function.