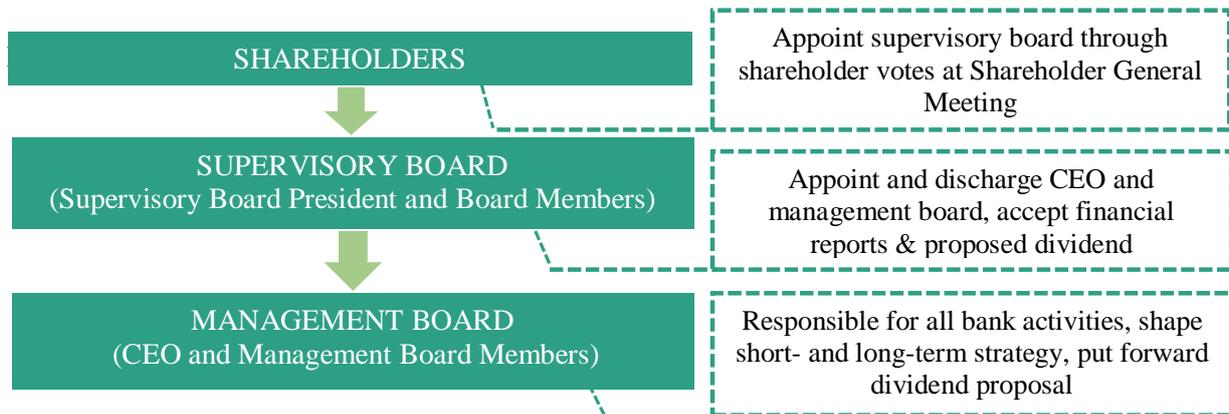


In recent years, the global banking sector landscape has been significantly changing. Negative repercussions of the financial crisis of 2007-2009 have led bank regulators and policymakers to review their supervising and prudential actions to avoid similar downturns in the future. In parallel, the general public has suffered when public funds were used to rescue falling banks. This has led policymakers, researchers and financial sector participants to revisit the crucial questions of who is responsible for bank actions, who shapes their profitability and who assures their safety. Three primary levels are considered: shareholders, supervisory boards and management boards.



Links between the three levels are crucial in shaping bank activities and long-term strategy. Higher safety for banks means introducing higher capital requirements towards banks, which may only be achieved if shareholders are willing to inject capital and/or accept a lower level of dividends. Dividends are a form of remuneration for shareholders, paid out from bank income. The main aim of the project is to analyse links between the level of bank profitability and dividend payouts, and their shareholder- and board structure, accounting for management- and supervisory boards, as well as CEOs. We will analyse these issues using data from banks in Central Europe, where banks are frequently owned by large, dominating shareholders from abroad. Their capital level – and hence their safety - is dependent on the shareholder capital injections, as well as the level of dividends that these shareholders impose. At the same time, having such a strong primary shareholder structure significantly affects the shape of bank boards and the CEO positions. Any changes in shareholder structure are likely to affect the bank board structure and thus the bank's strategy, risk and profitability as a result. On the other hand, having long-term concentrated owners affects board- and CEO turnover, which is likely to differ from that in banks with a dispersed shareholder structure or banks in which the state treasury holds a significant stake.