

## POLICY FOR DECLARATION OF DIVIDEND FOR THE YEAR 2026-27

### 1. Objective: -

The Bank would endeavor to maintain a consistent approach towards dividend pay-out plans and to tradeoff between the dividend paid and volume of profits retained in the business.

### 2. Board Oversight:

The dividend declaration/payment is an important decision as it affects all its stakeholders. While declaring dividend on equity shares, Board is inter-alia considering the current & projected capital positions of the Bank vis-à-vis the applicable capital requirements and the adequacy of provisions, considering the economic environment and the outlook for profitability. The Bank's Board, therefore, shall consider the interest of all stakeholders and the following internal and external factors, while deliberating and deciding on the proposal for declaration of dividend:

#### 2.1 External Factors:

##### 2.1.1 Macro-Economic Scenario:

In case of subdued economic scenarios, industrial environment and business conditions, Board will endeavor to retain larger portion of profits to build up cushion to absorb future shocks.

##### 2.1.2 Statutory Obligations:

The Bank shall endeavor compliance of RBI guidelines with particular reference to CRAR and NPA levels and also the guidelines issued by the Ministry of Finance, Government of India and SEBI guidelines with respect to declaration of dividend as spelt out in this policy document.

#### 2.2 Internal Factors:

##### 2.2.1 The interim dividend paid

##### 2.2.2 The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed if any, under supervisory findings of the Reserve Bank;

##### 2.2.3 Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year for which the dividend is proposed; Basel III capital requirements.

##### 2.2.4 Current and projected capital position vis-à-vis applicable regulatory capital requirement.

##### 2.2.5 The bank's long-term growth plans.

##### 2.2.6 Fresh Investments or Additional investments in Subsidiaries/Associates of the Bank



Classification: Internal

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### 3. Eligibility Criteria:

3.1 RBI has issued a Master Direction vide RBI/DOR/2025-26/387 DOR.ACC.REC.427/21-02-067/2025-26 Dt 10<sup>th</sup> March 2026 (Commercial Banks - Prudential Norms on Declaration of Dividend and Remittances of Profits) Directions, 2026 and accordingly, the Bank should ensure the following for declaration of dividend:

3.1.1 **Computation of Adjusted PAT:** 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid minus 50 per cent of Net NPA as on March 31 of the financial year for which the dividend is to be paid.

3.1.2 The bank was in compliance with the applicable regulatory capital requirement as at the end of the previous financial year and shall continue to be in compliance as at the end of the financial year during which the dividend is proposed to be paid.

3.1.3 The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.

3.1.4 The bank shall not be under any explicit restrictions for declaration of dividends or remittance of profits from the Reserve Bank or any other authority

3.1.5 The Bank should comply with the provisions of Section 15 and Section 17 of the Banking Regulation Act, 1949 detailed hereunder:

**Section 15 :** No banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

Notwithstanding anything to the contrary contained in sub-section (1) or in the Companies Act, 1956 (1 of 1956), a banking company may pay dividends on its shares without writing off—

- i) The depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalized or otherwise accounted for as a loss;
- ii) The depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where



adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;

- iii) The bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.

**Section 17:** Every banking company incorporated in India shall create a reserve fund and shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under section 29 and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than twenty percent of such profit.

Notwithstanding anything contained in sub-section (1), the Central Government may, on the recommendation of the Reserve Bank and having regard to the adequacy of the paid-up capital and reserves of a banking company in relation to its deposit liabilities, declare by order in writing that the provisions of sub-section (1) shall not apply to the banking company for such period as may be specified in the order:

Provided that no such order shall be made unless, at the time it is made, the amount in the reserve fund under sub-section (1), together with the amount in the share premium account is not less than the paid-up capital of the banking company.

- 3.1.6 The Bank should comply with the prevailing regulations/guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves, Investment Fluctuation Reserve etc, in terms of RBI/DOR/2025-26/162 DOR.MRG.REC.No.81/00-00-001/2025-26, 28<sup>th</sup> November 2025, (Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, wherein bank has to create an Investment Fluctuation Reserve (IFR) for an amount not less than the lower of the following:
- (a) net profit on sale of investments during the year
  - (b) net profit for the year less mandatory appropriations
- until the amount of IFR is at least 2 percent of the FVTPL(Including HFT) and AFS portfolio, on a continuing basis.
- 3.1.7 The proposed Dividend should be payable out of the profit for the year for which it proposes to declare dividend.
- 3.1.8 The AFS-Reserve would be reckoned as Common Equity Tier (CET) 1 subject to clause 87 of the RBI/DOR/2025-26/162 DOR.MRG.REC.No.81/00-00-001/2025-26 November 28, 2025 . The unrealised gains transferred to AFS-Reserve would



not be available for any distribution such as dividend and coupon on Additional Tier 1.

(Clause 28 of the Directions: A bank shall not pay dividends out of net unrealised gains recognised in the Profit and Loss Account arising on fair valuation of Level 3 investments on its Balance Sheet. Further, such net unrealised gains on Level 3 investments 47 recognised in the Profit and Loss Account or in the AFS-Reserve shall be deducted from CET 1 capital. Provided that this paragraph shall not apply to investments that meet the SPPI criteria and are required to be risk weighted at 50 per cent or lower for credit risk as per applicable regulatory instructions on capital adequacy.).

- 3.1.9 In case of Derivatives, Banks would not pay dividends out of net unrealised gains recognised in the Profit and Loss Account arising on fair valuation of Level 3 derivatives assets and liabilities on their Balance Sheet. Further, such net unrealised gains on Level 3 derivatives recognised in the Profit and Loss Account would be deducted from CET 1 capital.

("Level 3" in the context of inputs used for valuation of a financial instrument are unobservable inputs. In reference to the valuation of an instrument, it refers to a valuation in which there is a significant Level 3 input).

- 3.2 In terms of RBI/DOR/2025-26/151 DOR.CAP.REC.70/21-01-002/2025-26 dated November 28, 2025 (Commercial Banks- Prudential Norms on Capital Adequacy) Directions, 2025, the prescribed minimum capital requirement applicable to our bank is as under:

Particular	(% of Risk Weighted Assets)
Minimum Common Equity Tier 1 (CET1)	5.5
Minimum Tier 1 Capital Raio	7.0
Capital conservation buffer (CCB)	2.5
Minimum CET1+ CCB	8
Additional Tier 1 Capital	1.5
Minimum Tier 1 capital	7
Tier 2 Capital	2
Minimum Total Capital*	9
Minimum Total Capital +CCB	11.5

\* The difference between the minimum total capital requirement of 9% and the Tier 1 requirement can be met with Tier 2 and higher forms of capital;

- 3.2.1 It is, however, provided further that if the Bank has complied with the minimum CET 1 (5.50%) and Tier 1 capital (7.00%), then the excess additional Tier 1 capital can be reckoned towards computation of Total Capital (9.00%). Further, Capital conservation Buffer (CCB) will be a part of CET-1 which will be over and above the aforesaid Minimum CET-1.
- 3.2.2 Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range.
- 3.3 **Impact of Countercyclical Capital Buffer (CCCB) guidelines:**  
The framework of Countercyclical Capital Buffer (CCCB) was put in place by RBI/DOR/2025-26/151 DOR.CAP.REC.70/21-01-002/2025-26 dated November 28, 2025 (Commercial Banks- Prudential Norms on Capital Adequacy) Directions, 2025. In term of these guidelines, CCCB would be activated as and when the circumstances warranted and the Bank will be subject to restrictions on discretionary distribution (may include dividend payments, share buybacks and staff bonus payments) if they do not meet the requirement on countercyclical capital buffer which is an extension of the requirement for capital conservation buffer (CCB). The CCCB decision would normally be pre-announced with a lead time of 4 quarters. However, depending on the CCCB indicators, the banks may be advised to build up requisite buffer in a shorter span of time. The CCCB may be maintained in the form of Common Equity Tier 1 (CET 1) capital or other fully loss absorbing capital only, and the amount of the CCCB may vary from 0 to 2.50% of total risk weighted assets (RWA) of the banks. CCCB framework at this point of time is not activated.

Thus presently the bank is required to adhere to CCB guidelines as mentioned in earlier part of the paragraph and accordingly, bank may be able to declare the dividend only when CET 1 including the current periods retained earnings is over and above 8.00% (as on 01.10.2021), else conservation of capital need to be done.

### 3.4 Prompt Corrective Action Framework (PCA)

- 3.4.1 In term of revised Prompt corrective Action (PCA) framework circulated by the RBI vide DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 dated November 02, 2021 effective from 01.01.2022, indicators to be tracked for Capital, Asset quality and Leverage would be CRAR/Common Equity tier 1 ratio (the percentage of Core equity capital, net of regulatory adjustments, to total risk weighted assets as defined in RBI Basel II guidelines), Net NPA ratio (the percentage of net NPA to net Advance) and Tier 1 Leverage Ratio respectively.



3.4.2 Breach of any risk threshold as detailed under would result in invocation of PCA and it will trigger various mandatory actions including inter-alia restriction of dividend distributions/remittance of profit by Banks:

Area	Indicator	Threshold 1	Threshold 2	Threshold 3
Capital (Breach of either CRAR or CET 1 Ratio)	CRAR- Minimum regulatory prescription for capital to risk assets ratio + applicable capital conservation buffer (CCB) and/or Regulatory Pre-Specified Trigger of Common Equity Tier 1 Ratio (CET 1 PST) + applicable Capital Conservation Buffer (CCB)	Up to 250 bps below indicator  Upto 162.50 bps below Indicator	More than 250 bps but not exceeding 400 bps below indicator  More than 162.50 bps below but not exceeding 312.50 bps Indicators	In excess of 400 bps below the indicator prescribed  In excess of 312.50 bps below indicator
Overall CRAR	Current minimum of RBI prescription of 11.50% (9% minimum total capital plus 2.50% of CCB as on October 1, 2021)	<11.50% but >= 9.00%	<9.00% but >=7.50%	<7.50%
CET-I	Current minimum RBI prescription of 8.00% (5.50% plus 2.50% of CCB as on October 1, 2021)	<8.00% but >= 6.375%	<6.375% but >=4.875%	<4.875%
Asset Quality	Net Non -performing advance (NNPA) ratio	>=6.00% but <9.00%	>=9.00% but <12.00%	>= 12.00%
Leverage	Regulatory minimum Tier 1 Leverage Ratio	Upto 50 bps below the regulatory minimum	More than 50 bps but not exceeding 100 bps below the regulatory minimum	More than 100 bps below the regulatory minimum



### 3.4.3 Mandatory and discretionary actions:

Specification	Mandatory actions	Discretionary actions
Risk Threshold 1	Restriction on dividend distribution/ remittance of profits Promoters/Owners/Parent (in the case of foreign Banks) to bring in capital	Common Menu <ul style="list-style-type: none"> <li>• Special Supervisory Actions</li> <li>• Strategy related</li> <li>• Governance related</li> <li>• Capital related</li> <li>• Credit risk related</li> <li>• Market risk related</li> <li>• HR related</li> <li>• Profitability related</li> <li>• Operational/Business related</li> <li>• Any other</li> </ul>
Risk Threshold 2	In addition to mandatory action of Threshold 1, Restriction on Branch expansion; domestic and/or overseas,	
Risk Threshold 3	In addition to mandatory actions of Threshold 1 & 2, i. Appropriate restrictions on capital expenditure, other than for technological upgradation within Board approved limits.	

#### 4. Amalgamation Reserve

RBI vide their letter Reference DOR.CO.BP.No 1873/21.01.002/2020-21 dated December 18,2020 has directed that Amalgamation Reserve shall not be reckoned for the regulatory computations for CET-1 capital for discretionary payments (including dividend payment and payment of coupons of AT-1 bonds) under the Capital Conservation Buffer Framework unless the bank makes incremental provision for the net non-performing assets of the transferor bank of an amount at least equal to the Amalgamation Reserve recognized in the post-merger opening balance sheet.

#### 5. Quantum of Dividend payable

Bank if fulfilled the eligibility criteria set out in paragraph 3 above, may declare and pay Dividend up to the limits prescribed under Table below, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

Bucket	CET 1 Ratio as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Upto 8%	0
B2	Above 8% and upto 10%	20
B3	Above 10% and upto 12%	30
B4	Above 12% and upto 14%	40
B5	Above 14% and upto 16%	50
B6	Above 16% and upto 17%	60
B7	Above 17% and upto 18%	70



B8	Above 18% and upto 19%	80
B9	Above 19% and upto 20%	90
B10	Above 20%	100

The Illustrations (Annex I) of calculation of maximum permissible dividend given by RBI in the Directions are enclosed.

## 6. Ministry of Finance (MoF) Guidelines

6.1 The Bank shall also follow the Guidelines of Ministry of Finance which are presently as under.

6.1.1 In terms of Government of India, Ministry of Finance, New Delhi guidelines advised vide their communication F.No.10/3/2010-BOA dated 18th January 2013, the banks are required to pay a minimum Dividend of 20% of their equity (i.e. Paid up Capital) or 20% of the post-tax profits whichever is higher.

6.1.2 MOF, vide reference no.F.no.10/4/2021-BOA.I dated 04th June, 2021 on declaration of dividend has clarified that payment of minimum dividend is subject to any regulatory guidelines issued by the Reserve Bank of India and, therefore, specific prior permission may be sought only if the dividend proposed to be paid is less than the minimum required under the guidelines as well as that permissible under regulatory guidelines.

6.1.3 All the above guidelines shall be scrupulously adhered to for declaring any interim Dividend. In case, the Bank decides to pay interim dividend, the total dividend to be paid by the Bank based on the annual result should be as per the above guidelines. Further, where any specific provision of this policy is in conflict with any direction, notification, guidelines of the Central Government, RBI or any other regulator, the said direction, notification, guidelines would prevail.

6.1.4 While deciding and declaring the dividend, both RBI directives and Government of India directives are taken into consideration. In case the Bank is not a position to comply with the directives of Government of India then specific exemption is sought from the Ministry of Finance in this regard so as to comply with RBI guidelines.

## 7. Reporting System

The Bank on declaring Dividend shall report details of Dividend declared during the accounting year to RBI within a fortnight after Declaration of Dividend as per the Annexure II format mentioned in the RBI Master Directions (Commercial Banks -



Prudential Norms on Declaration of Dividend and Remittances of Profits), 2026, Dt 10.03.2026.

The Annexure II format is enclosed.

**8. Modification and Review**

The Policy shall be valid for the year 2026-27 and the same will be subject to review in accordance with the guidelines received from RBI/Govt. of India from time to time.

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**Annex I**

**Illustrations of calculation of maximum permissible dividend**

**Note:** The calculations are for illustrative purposes only to aid banks in their understanding of the Directions.

**Illustration 1:** Computation of maximum permissible dividend for FY 20X1-X2

Particulars	Amount (₹ Crore)
Net profit (PAT) for FY 20X1-X2 (A)	17,000
Net NPAs as on March 31, 20X2 (B)	6,500
Adjusted PAT, i.e., (C) = (A) – 50% of (B)	13,750
CET 1 ratio capital as on March 31, 20X1 (D)	11.72%
The CET1 ratio falls in bucket B3	
75% of PAT(E)	12,750
Max payable as per Table 1 (30% of 13,750) (F)	4,125
Maximum Eligible Dividend (i.e., Lower of E or F)	4,125
Maximum Eligible Dividend as percentage of PAT	24.26%



**Illustration 3: Computation of maximum eligible dividend for FY 20X1-X2**

Particulars	Amount (₹ Crore)
Net profit (PAT) for FY 20X1-X2 (A)	1500
Net NPAs as on March 31, 20X2 (B)	300
Adjusted PAT, i.e., (C) = (A) – 50% of (B)	1,350
CET 1 ratio as on March 31, 20X1 (D)	24.36%
The CET1 ratio falls in bucket B10	
75% of PAT (E)	1,125
Maximum payable as per Table (100% of 1,350) (F)	1,350
Maximum Eligible Dividend (i.e., G = Lower of E or F)	1,125
Maximum Eligible Dividend as percentage of PAT	75%
Interim dividend paid for FY 20X1-20X2 (H)	500
As the bank has already paid interim dividend of ₹500 crore, the final dividend shall not be more than (G) – (H)	625

