



भारतीय रज़वर्बक
RESERVE BANK OF INDIA

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January 06, 2026

RBI invites comments on the draft “Reserve Bank of India (Prudential Norms on Dividend and Remittance of Profit) Directions, 2026”

The Reserve Bank had undertaken a review of the extant guidelines on the prudential norms on declaration of dividend and remittance of profits by foreign banks operating in branch mode in India. Accordingly, a draft of the revised framework was issued for public comments on January 2, 2024. However, based on the stakeholder feedback and consultations, the following draft Directions proposing a new methodology for computing the maximum eligible dividend payout are being issued for public comments:

i) [Reserve Bank of India \(Commercial Banks - Prudential Norms on Declaration of Dividend and Remittances of Profit\) Directions, 2026](#)

ii) [Reserve Bank of India \(Small Finance Banks - Prudential Norms on Declaration of Dividend\) Directions, 2026](#)

iii) [Reserve Bank of India \(Payment Banks - Prudential Norms on Declaration of Dividend\) Directions, 2026](#)

iv) [Reserve Bank of India \(Regional Rural Banks - Prudential Norms on Declaration of Dividend\) Directions, 2026](#)

v) [Reserve Bank of India \(Local Area Banks - Prudential Norms on Declaration of Dividend\) Directions, 2026](#)

The comments on the draft Directions are invited till February 5, 2026. The comments / feedback may be submitted through the link under the ‘[Connect2Regulate](#)’ Section available on the Reserve Bank’s website. Alternatively, the comments may be forwarded to

The Chief General Manager, Balance Sheet Group
Department of Regulation, Central Office
Reserve Bank of India,
13th Floor, Central Office Building
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400001

or by [e-mail](#)

Press Release: 2025-2026/1866

(Brij Raj)
Chief General Manager

Draft Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittance of Profits) Directions, 2026

DRAFT FOR COMMENTS

RBI/2025-26/--

DOR.ACC.REC.No./21.02.067/2025-26

xx, 2026

Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittances of Profits) Directions, 2026

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Introduction

In exercise of the powers conferred by Section 35A of the Banking Regulation Act (BR Act), 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittance of Profits) Directions, 2026.
2. These Directions shall come into effect from Financial Year (FY) 2026-27.

B. Applicability

3. These Directions shall be applicable to all banking companies, corresponding new banks and State Bank of India as defined under subsections (c), (da) and (nc) of section 5 of the Banking Regulation Act, 1949 and foreign banks operating as branch(es), excluding Small Finance Banks (SFBs), Local Area Banks (LABs), Payments Banks (PBs), and Regional Rural Banks (RRBs), hereinafter collectively referred to as 'banks' and individually as a 'bank'.

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.

- (i) 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid *minus* Net NPA as on March 31 of the financial year for which the dividend is to be paid;
- (ii) 'Dividend' means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS);
- (iii) 'Exceptional profit / income' shall have the same meaning as defined under applicable Accounting Standards; and
- (iv) 'Remittance of profit' means repatriation of profit by a foreign bank operating in India in branch mode to its Head Office.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, Rules / Regulations made thereunder, or

any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend and remittance of profits

A. Board oversight

6. The Board of Directors¹ while considering the proposal for declaration of dividend or remittance of profit of a bank shall consider the following:

- i. 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.
- ii. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year for which the dividend is proposed.
- iii. Current and projected capital position vis-à-vis applicable regulatory capital requirement (minimum plus buffers); and iv.

Long term growth plans.

B. Eligibility criteria

7. A bank shall meet the following prudential requirements, to be eligible to declare dividends or remit profits.

- i. 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.
- ii. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
- iii. The bank incorporated in India shall have positive adjusted Profit After Tax (PAT) for the period for which the dividend is proposed.
- iv. A foreign bank operating in India in the branch mode, shall have positive PAT for the period for which the profits are to be remitted to the Head Office.
- v. 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.

C. Quantum of dividend payable by banks incorporated in India

8. A bank incorporated in India which satisfies the eligibility criteria laid down in paragraph 7 above, may declare and pay dividend up to the limits prescribed under Table 1 below, but in

¹ In case of foreign banks operating in India in the branch mode, this shall be read as the bank's management.

aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	CET 1 ratio as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Up to $(8 + z)\%$	0
B2	Above $(8 + z)\%$ and up to $(10 + z)\%$	20
B3	Above $(10 + z)\%$ and up to $(12 + z)\%$	30
B4	Above $(12 + z)\%$ and up to $(14 + z)\%$	40
B5	Above $(14 + z)\%$ and up to $(16 + z)\%$	50
B6	Above $(16 + z)\%$ and up to $(17 + z)\%$	60
B7	Above $(17 + z)\%$ and up to $(18 + z)\%$	70
B8	Above $(18 + z)\%$ and up to $(19 + z)\%$	80
B9	Above $(19 + z)\%$ and up to $(20 + z)\%$	90
B10	Above $(20 + z)\%$	100

Note: 'z' in Table 1 refers to the respective applicable D-SIB buffer. 'z' shall be zero for a bank not classified as D-SIB.

9. The detailed illustrations are given in [Annex I](#).

D. Remittance of profits by foreign banks operating in India in branch mode

10. A foreign bank operating in India in branch mode, that satisfies the eligibility criteria as specified in paragraph 7 above, may remit net profit / surplus (net of tax) earned in the normal course of business arising out of its Indian operations, without prior approval of the Reserve Bank², subject to the conditions that the accounts of the bank are audited and in the event of excess remittance, if any, the Head Office of that foreign bank immediately shall return the excess remittance and make good the shortfall.

E. Deductions from Profit After Tax (PAT)

11. As regards calculation of PAT for the purpose of these directions, a bank shall adhere to the following:

- (i) In case the PAT for the relevant period includes any exceptional and / or extra-ordinary profits / income, or if audit report by the statutory auditor contains a modified opinion

² Subject to compliance of provisions contained in section 11(2)(b)(ii) of the Banking Regulation Act, 1949.

(including 'emphasis of matter') that indicates an overstatement of the PAT, the same shall be deducted from PAT to the extent it is included in PAT.

- (ii) In terms of [Reserve Bank of India \(Commercial Banks - Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#), a bank shall not pay dividend or

repatriate profits out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).

- (iii) The prudential treatment of reversal of excess provision, dividend payment or remittance of profits by a bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the [Reserve Bank of India \(Commercial Banks – Transfer and Distribution of Credit Risk\) Directions, 2025](#).

F. Reporting system

12. A bank paying dividend or remitting profits to Head Office shall report details thereof as per the format prescribed in [Annex II](#). The report shall be furnished to the Department of Supervision of the Reserve Bank within a fortnight of declaration of dividend / remitting profits to Head Office.

G. Restriction on payment of dividend and remittance of profits

13. The Reserve Bank reserves the right to place restrictions on distribution of dividend or remittance of profit where a bank is found to be non-compliant with the applicable laws, regulations / guidelines issued by the Reserve Bank.

14. If a bank does not meet the eligibility criteria as per paragraph 7 above, no special dispensation will be given for declaration of dividend or for remittance of profits for that period.

H. Penal consequences for non-compliance

15. Non-compliance with any of the provisions contained in these Directions may attract supervisory and / or enforcement action, as applicable.

Chapter III - Repeal and other provisions

A. Repeal and saving

16. The list of circulars repealed with respect to the provisions relating to commercial banks coming under the purview of this Direction is given in [Annex III](#).

17. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

18. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture, or punishment may be imposed as if those Directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

19. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

20. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Annex I
Illustrat

ions 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) - (B)	10,500
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 10,500) (F)	3,150
Maximum Eligible Dividend (i.e., Lower of E or F)	3,150
Maximum Eligible Dividend as percentage of PAT	18.52%

Illustration 2: Computation of maximum permissible dividend for a D-SIB bank having minimum regulatory requirement of CET1 of 8.2% (including D-SIB buffer) for FY 20X1-X2

Particulars	Amount (₹ Crore)
Net profit (PAT) for FY 20X1-X2 (A)	40,500
Net NPAs as on March 31, 20X2 (B)	5,000
Adjusted PAT i.e., (C) = (A)-(B)	35,500
CET 1 ratio as on March 31, 20X1 (D)	15%
The CET1 ratio falls in bucket B5	
75% of PAT(F)	30,375
Max payable as per Table 1 (50% of 35,500) (G)	17,750
Maximum Eligible Dividend (i.e., Lower of F or G)	17,750
Maximum Eligible Dividend as percentage of PAT	43.82%

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) - (B)	1,200
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 1,200) (F)	1,200
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

Details of dividend declared / profit remitted to its Head Office during the financial year

Name of the Bank: _____

Accounting period *	Net profit for the accounting period (₹ crore)	Net profit [#] for determining the Dividend Payout Ratio (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore) or Amount of profit / surplus remitted to Head Office and the rate of exchange applied	Dividend Payout ratio (per cent) or Profit / surplus remitted to Head Office as percentage of net profit

*Quarter or half year or year ended as the case may

excluding any exceptional and / or extra-ordinary profits / income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), net unrealised gains on fair valuation of Level 3 financial instruments (including derivatives), reversal of excess provision and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India (as provided in [Reserve Bank of India \(Commercial Banks – Transfer and Distribution of Credit Risk\) Directions, 2025](#)).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Annex III List of circulars repealed

Sr. No.	Circular Number	Date of Issue	Subject
a)	DOR.ACC.REC.87/21-02-067/2025-26	November 28, 2025	Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividends and Remittance of Profit) Directions, 2025

Draft Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

DRAFT FOR COMMENTS

RBI/2025-26/--

DOR.ACC.REC.No./21.02.067/2025-26

xx, 2026

Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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Introduction

In exercise of the powers conferred by Section 35A of the Banking Regulation Act (BR Act), 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI')

in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026.
2. These Directions shall come into effect from Financial Year (FY) 2026-27.

B. Applicability

3. These Directions shall be applicable to Small Finance Banks (SFBs) (hereinafter collectively referred to as 'banks' and individually as a 'bank').

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.
 - (i) 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid *minus* Net NPA as on March 31 of the financial year for which the dividend is to be paid.
 - (ii) 'Dividend' means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS);
 - (iii) 'Exceptional profits / income' shall have the same meaning as defined under applicable Accounting Standards.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, Rules / Regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend

A. Board oversight

6. The Board of Directors while considering the proposal for declaration of dividend of a bank shall consider the following:

- i. The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed under supervisory findings of the Reserve Bank.
- ii. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year in which the dividend is proposed.
- iii. Current and projected capital position vis-à-vis applicable regulatory capital requirement; and
- iv. Long term growth plans.

B. Eligibility criteria

7. A bank shall meet the following prudential requirements, to be eligible to declare dividends.

- i. 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.
- ii. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
- iii. The bank shall have positive adjusted Profit After Tax (PAT) for the financial year for which the dividend is proposed.
- iv. The bank shall not be under any explicit restrictions for declaration of dividends from the Reserve Bank or any other authority.

C. Quantum of dividend payable

8. A bank which satisfies the eligibility criteria laid down in paragraph 7 above may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	Tier 1 Capital Ratio as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Up to 7.5%	0
B2	Above 7.5% and up to 9.5%	20
B3	Above 9.5% and up to 11.5%	30
B4	Above 11.5% and up to 13.5%	40
B5	Above 13.5% and up to 15.5%	50
B6	Above 15.5% and up to 16.5%	60

B7	Above 16.5% and up to 17.5%	70
B8	Above 17.5% and up to 18.5%	80
B9	Above 18.5% and up to 19.5%	90
B10	Above 19.5%	100

9. The detailed illustrations are given in [Annex I](#).

D. Deductions from Profit After Tax (PAT)

10. As regards calculation of PAT for the purpose of these Directions, a bank shall adhere to the following:

- (i) In case the PAT for the relevant period includes any exceptional and / or extraordinary profits / income, or if audit report by the statutory auditor contains a modified opinion (including 'emphasis of matter') that indicates an overstatement of the PAT, the same shall be deducted from PAT to the extent it is included in PAT.
- (ii) In terms of [Reserve Bank of India \(Small Finance Banks - Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#), a bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).
- (iii) The prudential treatment of reversal of excess provision, dividend payment by a bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the [Reserve Bank of India \(Small Finance Banks – Transfer and Distribution of Credit Risk\) Directions, 2025](#).

E. Reporting system

11. A bank declaring dividend shall report details thereof as per the format prescribed in [Annex II](#). The report shall be furnished to the Department of Supervision of the Reserve Bank within a fortnight of declaration of dividend.

F. Restriction on payment of dividend

12. The Reserve Bank reserves the right to place restrictions on distribution of dividend where a bank is found to be non-compliant with the applicable laws, regulations / guidelines issued by the Reserve Bank.

13. If a bank does not meet the eligibility criteria as per paragraph 7 above, no special dispensation will be given for declaration of dividend for that period.

G. Penal consequences for non-compliance

14. Non-compliance with any of the provisions contained in these Directions may attract supervisory and / or enforcement action, as applicable.

Chapter III - Repeal and other provisions

A. Repeal and saving

15. The list of circulars repealed with respect to the provisions relating to SFBs coming under the purview of this Direction is in [Annex III](#).

16. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

17. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture, or punishment may be imposed as if those Directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

18. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

19. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Annex I Illustrations

of calculation of maximum 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) - (B)	10,500
Tier1 Capital ratio as on March 31, 20X1 (D)	11.72%
The CET1 ratio falls in bucket B4	
75% of PAT(E)	12,750
Max payable as per Table 1 (40% of 10,500) (F)	4,200
Maximum Eligible Dividend (i.e., Lower of E or F)	4,200
Maximum Eligible Dividend as percentage of PAT	24.70%

Illustration 2: Computation of maximum permissible dividend for FY 20X1-X2

Particulars	Amount (₹ Crore)
Net profit (PAT) for FY 20X1-X2 (A)	40,500
Net NPAs as on March 31, 20X2 (B)	5,000
Adjusted PAT i.e., (C) = (A)-(B)	35,500
Tier1 Capital ratio as on March 31, 20X1 (D)	15%
The CET1 ratio falls in bucket B5	
75% of PAT(F)	30,375
Max payable as per Table 1 (50% of 35,500) (G)	17,750
Maximum Eligible Dividend (i.e., Lower of F or G)	17,750
Maximum Eligible Dividend as percentage of PAT	43.82%

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) - (B)	1,200
Tier1 capital 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 1,200) (F)	1,200
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

Annex II

Details of dividend declared during the financial year

Name of the Bank: _____

Accounting period *	Net profit for the accounting period (₹)	Net profit [#] for determining the Dividend Payout Ratio (₹)	Rate of dividend (per cent)	Amount of dividend (₹)	Dividend Payout ratio (per cent)

*Quarter or half year or year ended as the case may be

excluding any exceptional and/or extra-ordinary profits/ income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), net unrealised gains on fair valuation of Level 3 financial instruments (including derivatives), reversal of excess provision and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India (as provided in [Reserve Bank of India \(Small Finance Banks – Transfer and Distribution of Credit Risk\) Directions, 2025](#)).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Annex III List of circulars repealed

Sr. No.	Circular Number	Date of Issue	Subject
a)	DOR.ACC.REC.118/21-02-067/2025-26	November 28, 2025	Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividends) Directions, 2025

Draft Reserve Bank of India (Payment Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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DOR.ACC.REC.No./21.02.067/2025-26

xx, 2026

Reserve Bank of India (Payment Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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Introduction

In exercise of the powers conferred by Section 35A of the Banking Regulation Act (BR Act), 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Payment Banks – Prudential Norms on Declaration of Dividend) Directions, 2026.
2. These Directions shall come into effect from Financial Year (FY) 2026-27.

B. Applicability

3. These Directions shall be applicable to Payment Banks (PBs) (hereinafter collectively referred to as 'banks' and individually as a 'bank').

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.
 - (i) 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid *minus* Net NPA as on March 31 of the financial for which the dividend is to be paid.
 - (ii) 'Dividend' means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS);
 - (iii) 'Exceptional profits / income' shall have the same meaning as defined under applicable Accounting Standards.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, Rules / Regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend

A. Board oversight

6. The Board of Directors while considering the proposal for declaration of dividend of a bank shall consider the following:

- i. The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed under supervisory findings of the Reserve Bank.
- ii. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year in which the dividend is proposed.
- iii. Current and projected capital position vis-à-vis applicable regulatory capital requirement (minimum plus buffers); and
- iv. Long term growth plans.

B. Eligibility criteria

7. A bank shall meet the following prudential requirements, to be eligible to declare dividends.

- i. 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.
- ii. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
- iii. The bank shall have positive adjusted Profit After Tax (PAT) for the financial year for which the dividend is proposed.
- iv. The bank shall not be under any explicit restrictions for declaration of dividends from the Reserve Bank or any other authority.

C. Quantum of dividend payable

8. A bank which satisfies the eligibility criteria laid down in paragraph 7 above may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	Tier 1 Capital Ratio as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Up to 7.5%	0
B2	Above 7.5% and up to 9.5%	20
B3	Above 9.5% and up to 11.5%	30
B4	Above 11.5% and up to 13.5%	40

B5	Above 13.5% and up to 15.5%	50
B6	Above 15.5% and up to 16.5%	60
B7	Above 16.5% and up to 17.5%	70
B8	Above 17.5% and up to 18.5%	80
B9	Above 18.5% and up to 19.5%	90
B10	Above 19.5%	100

9. The detailed illustrations are given in [Annex I](#).

D. Deductions from Profit After Tax (PAT)

10. As regards calculation of PAT for the purpose of these Directions, a bank shall adhere to the following:

- (i) In case the PAT for the relevant period includes any exceptional and / or extraordinary profits / income, or if audit report by the statutory auditor contains a modified opinion (including 'emphasis of matter') that indicates an overstatement of the PAT, the same shall be deducted from PAT to the extent it is included in PAT.
- (ii) In terms of [Reserve Bank of India \(Payment Banks - Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#), a bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).

E. Reporting system

11. A bank declaring dividend shall report details thereof as per the format prescribed in [Annex II](#). The report shall be furnished to the Department of Supervision of the Reserve Bank within a fortnight of declaration of dividend.

F. Restriction on payment of dividend

12. The Reserve Bank reserves the right to place restrictions on distribution of dividend where a bank is found to be non-compliant with the applicable laws, regulations / guidelines issued by the Reserve Bank.

13. If a bank does not meet the eligibility criteria as per paragraph 7 above, no special dispensation will be given for declaration of dividend for that period.

G. Penal consequences for non-compliance

14. Non-compliance with any of the provisions contained in these Directions may attract supervisory and / or enforcement action, as applicable.

Chapter III - Repeal and other provisions

A. Repeal and saving

15. The list of circulars repealed with respect to the provisions relating to PBs coming under the purview of this Direction are in [Annex III](#).

16. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

17. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture, or punishment may be imposed as if those Directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

18. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

19. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Annex I

Illustrations of calculation of maximum 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) - (B)	10,500
Tier1 Capital ratio as on March 31, 20X1 (D)	11.72%
The CET1 ratio falls in bucket B4	
75% of PAT(E)	12,750
Max payable as per Table 1 (40% of 10,500) (F)	4,200
Maximum Eligible Dividend (i.e., Lower of E or F)	4,200
Maximum Eligible Dividend as percentage of PAT	24.70%

Illustration 2: Computation of maximum permissible dividend for FY 20X1-X2

Particulars	Amount (₹ Crore)
Net profit (PAT) for FY 20X1-X2 (A)	40,500
Net NPAs as on March 31, 20X2 (B)	5,000
Adjusted PAT i.e., (C) = (A)-(B)	35,500
Tier1 Capital ratio as on March 31, 20X1 (D)	15%
The CET1 ratio falls in bucket B5	
75% of PAT(F)	30,375
Max payable as per Table 1 (50% of 35,500) (G)	17,750
Maximum Eligible Dividend (i.e., Lower of F or G)	17,750
Maximum Eligible Dividend as percentage of PAT	43.82%

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

Particulars	Amount
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	(₹ 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) - (B)	1,200
Tier1 capital 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 1,200) (F)	1,200
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

Details of dividend declared during the financial year

Name of the Bank: _____

Accounting period *	Net profit for the accounting period (₹)	Net profit [#] for determining the Dividend Payout Ratio (₹)	Rate of dividend (per cent)	Amount of dividend (₹)	Dividend Payout ratio (per cent)

*Quarter or half year or year ended as the case may

excluding any exceptional and/or extra-ordinary profits/ income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), net unrealised gains on fair valuation of Level 3 financial instruments (including derivatives).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Annex III List of circulars repealed

Sr. No.	Circular Number	Date of Issue	Subject
a)	DOR.ACC.REC.136/21-02-067/2025-26	November 28, 2025	Reserve Bank of India (Payment Banks – Prudential Norms on Declaration of Dividends) Directions, 2025

Draft Reserve Bank of India (Regional Rural Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

DRAFT FOR COMMENTS

RBI/2025-26/--

DOR.ACC.REC.No./21.02.067/2025-26

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Reserve Bank of India (Regional Rural Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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Introduction

In exercise of the powers conferred by Section 35A of the Banking Regulation Act (BR Act), 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Regional Rural Banks – Prudential Norms on Declaration of Dividend) Directions, 2026.
2. These Directions shall come into effect from Financial Year (FY) 2026-27.

B. Applicability

3. These Directions shall be applicable to Regional Rural Banks (RRBs) (hereinafter collectively referred to as 'banks' and individually as a 'bank').

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.
 - (i) 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid *minus* Net NPA as on March 31 of the financial year for which the dividend is to be paid.
 - (ii) 'Dividend' means dividend payable on equity shares and includes interim dividend;
 - (iii) 'Exceptional profits / income' shall have the same meaning as defined under applicable Accounting Standards.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, Rules / Regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend

A. Board oversight

6. The Board of Directors while considering the proposal for declaration of dividend of a bank shall consider the following:
 - i. The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed under supervisory findings of the National Bank for Agriculture and Rural Development (NABARD).
 - ii. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year in which the dividend is proposed.

- iii. Current and projected capital position vis-à-vis applicable regulatory capital requirement (minimum plus buffers); and
- iv. Long term growth plans.

B. Eligibility criteria

7. A bank shall meet the following prudential requirements, to be eligible to declare dividends.

- i. 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.
- ii. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
- iii. The bank shall have positive adjusted Profit After Tax (PAT) for the financial year for which the dividend is proposed.
- iv. The bank shall not be under any explicit restrictions for declaration of dividends from the Reserve Bank or any other authority.

C. Quantum of dividend payable

8. A bank which satisfies the eligibility criteria laid down in paragraph 7 above may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 80% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	Tier 1 Capital Ratio as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Up to 7%	0
B2	Above 7% and up to 9%	20
B3	Above 9% and up to 11%	30
B4	Above 11% and up to 13%	40
B5	Above 13% and up to 15%	50
B6	Above 15% and up to 16%	60
B7	Above 16% and up to 17%	70
B8	Above 17% and up to 18%	80
B9	Above 18% and up to 19%	90
B10	Above 19%	100

9. The detailed illustrations are given in **Annex I**.

D. Deductions from Profit After Tax (PAT)

10. As regards calculation of PAT for the purpose of these Directions, a bank shall adhere to the following:

- (i) In case the PAT for the relevant period includes any exceptional and / or extraordinary profits / income, or if audit report by the statutory auditor contains a modified opinion (including 'emphasis of matter') that indicates an overstatement of the PAT, the same shall be deducted from PAT to the extent it is included in PAT.
- (ii) The prudential treatment of reversal of excess provision, dividend payment by a bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the Reserve Bank of India (Regional Rural Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

E. Reporting system

11. A bank declaring dividend shall report details thereof as per the format prescribed in **Annex II**. The report shall be furnished to the Department of Supervision of the NABARD within a fortnight of declaration of dividend.

F. Restriction on payment of dividend

12. The Reserve Bank reserves the right to place restrictions on distribution of dividend where a bank is found to be non-compliant with the applicable laws, regulations / guidelines issued by the Reserve Bank.

13. If a bank does not meet the eligibility criteria as per paragraph 7 above, no special dispensation will be given for declaration of dividend for that period.

G. Penal consequences for non-compliance

14. Non-compliance with any of the provisions contained in these Directions may attract supervisory and / or enforcement action, as applicable.

Chapter III - Repeal and other provisions

A. Repeal and saving

15. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

16. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture, or punishment may be imposed as if those Directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

17. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

18. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Annex I

Illustrations of calculation of maximum 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 (₹ '000)
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) - (B)	10,500
Tier1 Capital ratio as on March 31, 20X1 (D)	11.72%
The CET1 ratio falls in bucket B4	
80% of PAT(E)	13,600
Max payable as per Table 1 (40% of 10,500) (F)	4,200
Maximum Eligible Dividend (i.e., Lower of E or F)	4,200
Maximum Eligible Dividend as percentage of PAT	24.70%

Illustration 2: Computation of maximum permissible dividend for FY 20X1-X2

Particulars	Amount (₹ '000)
Net profit (PAT) for FY 20X1-X2 (A)	40,500
Net NPAs as on March 31, 20X2 (B)	5,000
Adjusted PAT i.e., (C) = (A)-(B)	35,500
Tier1 Capital ratio as on March 31, 20X1 (D)	15%
The CET1 ratio falls in bucket B5	
80% of PAT(F)	32,400
Max payable as per Table 1 (50% of 35,500) (G)	17,750
Maximum Eligible Dividend (i.e., Lower of F or G)	17,750
Maximum Eligible Dividend as percentage of PAT	43.82%

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

Particulars	Amount (₹ '000)
Net profit (PAT) for FY 20X1-X2 (A)	1500
Net NPAs as on March 31, 20X2 (B)	200
Adjusted PAT, i.e., (C) = (A) - (B)	1,300
Tier1 capital ratio as on March 31, 20X1 (D)	24.36%

The CET1 ratio falls in bucket B10	
80% of PAT (E)	1,200
Maximum payable as per Table (100% of 1,300) (F)	1,300
Maximum Eligible Dividend (i.e., G = Lower of E or F)	1,200
Maximum Eligible Dividend as percentage of PAT	80%
Interim dividend paid for FY 20X1-20X2 (H)	500
As the bank has already paid interim dividend of ₹500,000, the final dividend shall not be more than (G) – (H)	700

Details of dividend declared during the financial year

Name of the Bank: _____

Accounting period *	Net profit for the accounting period (₹ crore)	Net profit[#] for determining the Dividend Payout Ratio (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Payout ratio (per cent)

*Quarter or half year or year ended as the case may

excluding any exceptional and/or extra-ordinary profits/ income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), reversal of excess provision and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India (as provided in Reserve Bank of India (Regional Rural Banks – Transfer and Distribution of Credit Risk) Directions, 2025).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Draft Reserve Bank of India (Local Area Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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Reserve Bank of India (Local Area Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

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Introduction

In exercise of the powers conferred by Section 35A of the Banking Regulation Act (BR Act), 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Local Area Banks – Prudential Norms on Declaration of Dividend) Directions, 2026.
2. These Directions shall come into effect from Financial Year (FY) 2026-27.

B. Applicability

3. These Directions shall be applicable to Local Area Banks (LABs) (hereinafter collectively referred to as 'banks' and individually as a 'bank').

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.
 - (i) 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid *minus* Net NPA as on March 31 of the financial year for which the dividend is to be paid.
 - (ii) 'Dividend' means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS);
 - (iii) 'Exceptional profits / income' shall have the same meaning as defined under applicable Accounting Standards.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, Rules / Regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend

A. Board oversight

6. The Board of Directors while considering the proposal for declaration of dividend of a bank shall consider the following:

- i. The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed under supervisory findings of the Reserve Bank.
- ii. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year in which the dividend is proposed.
- iii. Current and projected capital position vis-à-vis applicable regulatory capital requirement; and
- iv. Long term growth plans.

B. Eligibility criteria

7. A bank shall meet the following prudential requirements, to be eligible to declare dividends

- i. 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.
- ii. The regulatory capital of the bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.
- iii. The bank shall have positive adjusted Profit After Tax (PAT) for the financial year for which the dividend is proposed.
- iv. The bank shall not be under any explicit restrictions for declaration of dividends from the Reserve Bank or any other authority.

C. Quantum of dividend payable

8. A bank which satisfies the eligibility criteria laid down in paragraph 7 above may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 80% of the PAT for the period for which the dividend is being proposed.

Table 1		
Bucket	CRAR as at the end of previous FY	Dividend allowed as a % of adjusted PAT for the period
B1	Up to 9%	0
B2	Above 9% and up to 11%	20
B3	Above 11% and up to 13%	30
B4	Above 13% and up to 15%	40

B5	Above 15% and up to 17%	50
B6	Above 17% and up to 18%	60
B7	Above 18% and up to 19%	70
B8	Above 19% and up to 20%	80
B9	Above 20% and up to 21%	90
B10	Above 21%	100

9. The detailed illustrations are given in **Annex I**.

D. Deductions from Profit After Tax (PAT)

10. As regards calculation of PAT for the purpose of these Directions, a bank shall adhere to the following: As regards PAT, a bank shall adhere to the following:

- (i) In case the PAT for the relevant period includes any exceptional and / or extraordinary profits / income, or if audit report by the statutory auditor contains a modified opinion (including 'emphasis of matter') that indicates an overstatement of the PAT, the same shall be deducted from PAT to the extent it is included in PAT.
- (ii) In terms of Reserve Bank of India (Local Area Banks - Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, a bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).
- (iii) The prudential treatment of reversal of excess provision, dividend payment by a bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the Reserve Bank of India (Local Area Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

E. Reporting system

11. A bank declaring dividend shall report details thereof as per the format prescribed in **Annex II**. The report shall be furnished to the Department of Supervision of the Reserve Bank within a fortnight of declaration of dividend.

F. Restriction on payment of dividend

12. The Reserve Bank reserves the right to place restrictions on distribution of dividend where a bank is found to be non-compliant with the applicable laws, regulations / guidelines issued by the Reserve Bank.

13. If a bank does not meet the eligibility criteria as per paragraph 7 above, no special dispensation will be given for declaration of dividend for that period.

G. Penal consequences for non-compliance

14. Non-compliance with any of the provisions contained in these Directions may attract supervisory and / or enforcement action, as applicable.

Chapter III - Repeal and other provisions

A. Repeal and saving

15. The list of circulars repealed with respect to the provisions relating to LABs coming under the purview of this Direction are in **Annex III**.

16. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

17. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture, or punishment may be imposed as if those Directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

18. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

19. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Illustrations of calculation of maximum 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 (₹ '000)
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) - (B)	10,500
CRAR as on March 31, 20X1 (D)	11.72%
The CET1 ratio falls in bucket B3	
80% of PAT(E)	13,600
Max payable as per Table 1 (30% of 10,500) (F)	3,150
Maximum Eligible Dividend (i.e., Lower of E or F)	3,150
Maximum Eligible Dividend as percentage of PAT	18.52%

Illustration 2: Computation of maximum permissible dividend for FY 20X1-X2

Particulars	Amount (₹ '000)
Net profit (PAT) for FY 20X1-X2 (A)	40,500
Net NPAs as on March 31, 20X2 (B)	5,000
Adjusted PAT i.e., (C) = (A)-(B)	35,500
CRAR as on March 31, 20X1 (D)	15%
The CET1 ratio falls in bucket B4	
80% of PAT(F)	32,400
Max payable as per Table 1 (40% of 35,500) (G)	14,200
Maximum Eligible Dividend (i.e., Lower of F or G)	14,200
Maximum Eligible Dividend as percentage of PAT	35.06%

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

Particulars	Amount (₹ '000)
Net profit (PAT) for FY 20X1-X2 (A)	1500
Net NPAs as on March 31, 20X2 (B)	200
Adjusted PAT, i.e., (C) = (A) - (B)	1,300
CRAR as on March 31, 20X1 (D)	24.36%
The CET1 ratio falls in bucket B10	
80% of PAT (E)	1,200
Maximum payable as per Table (100% of 1,300) (F)	1,300
Maximum Eligible Dividend (i.e., G = Lower of E or F)	1,200
Maximum Eligible Dividend as percentage of PAT	80%
Interim dividend paid for FY 20X1-20X2 (H)	500
As the bank has already paid interim dividend of ₹500,000, the final dividend shall not be more than (G) – (H)	700

Details of dividend declared during the financial year

Name of the Bank: _____

Accounting period *	Net profit for the accounting period (₹ crore)	Net profit[#] for determining the Dividend Payout Ratio (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Payout ratio (per cent)

*Quarter or half year or year ended as the case may

excluding any exceptional and/or extra-ordinary profits/ income, or if audit report by the statutory auditor contains modified opinion that indicates an overstatement of net profit (including 'emphasis of matter'), net unrealised gains on fair valuation of Level 3 financial instruments (including derivatives), reversal of excess provision and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India (as provided in Reserve Bank of India (Local Area Banks – Transfer and Distribution of Credit Risk) Directions, 2025).

'Dividend Payout Ratio (DPR)' means the ratio of the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

Annex III List of circulars repealed

Sr. No.	Circular Number	Date of Issue	Subject
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a)	DOR.ACC.REC.161/21-02-067/2025-26	November 28, 2025	Reserve Bank of India (Local Area Banks – Prudential Norms on Declaration of Dividends) Directions, 2025
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