All Commercial Banks and Cooperative Banks,

Madam / Sir,

**Declaration of dividends by banks**

Please refer to our circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020, and other associated circulars on the captioned subject.

2. In view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while allowing banks to pay dividend on equity shares, it has been decided to review the dividend declaration norms for the year ended March 31, 2021 as below.

**Commercial Banks**

3. In partial modification of the instructions contained in circular DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 4, 2005, banks may pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the said circular. Other instructions in the circular dated May 4, 2005 shall remain unchanged.

**Cooperative Banks**

4. Cooperative banks shall be permitted to pay dividend on equity shares from the profits of the financial year ended March 31, 2021 as per the extant instructions.
General

5. All banks shall continue to meet the applicable minimum regulatory capital requirements after dividend payment. While declaring dividend on equity shares, it shall be the responsibility of the Board of Directors to *inter-alia* consider the current and projected capital position of the bank vis-à-vis the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability.

Yours faithfully,

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(Usha Janakiraman)
Chief General Manager