

# State Bank of India

## Dividend Distribution Policy

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Version 4.0

Financial Reporting & Taxation Department  
Corporate Centre  
Mumbai

(Note: The policy document has also been uploaded in SBI Times>>Manuals/Master  
Circular/Policies /SOP >> Policy head)

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## A. TABLE OF OWNERSHIP

<b>Owner Department</b>	FR Section, FR&T Department
<b>Department responsible for implementation of the policy</b>	FR Section, FR&T Department
<b>Effective date</b>	01.04.2025
<b>Date of last Review</b>	01.04.2022
<b>Version</b>	4.0

## **DIVIDEND DISTRIBUTION POLICY**

### **B. OBJECTIVE**

The Dividend Distribution Policy of the Bank ("Policy") is framed pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (last amended on July 10<sup>th</sup>, 2024).

The objective of this Policy is to lay down the criteria to be considered by the Bank for declaring the dividend to its shareholders.

### **C. POLICY GUIDELINES:**

#### **1. Board oversight**

- i) The Central Board shall take into account the interest of all stake holders and the following aspects while deciding on the proposal for declaring dividend:
  - a. The interim dividend paid.
  - b. The Annual Financial Inspection findings of the Reserve Bank of India on divergence in identification of NPAs, shortfall in provisioning, etc.;
  - c. Auditors qualifications pertaining to the statement of accounts;
  - d. BASEL III Capital requirements;
  - e. The Bank's long term growth plans,
- ii) The rate of dividend shall be determined by the Central Board.



## **2. Parameters for declaration of dividend**

### **i) Financial parameters**

Dividend will be paid out of the current year's profit only. Bank will distribute dividend only if:

- CRAR is at least 12.1% (including CET 1  $\geq$  8.6%) for the accounting year for which it proposes to declare dividend. *Minimum CRAR and CET for dividend payout from FY 2025-26 onwards will be considered as 12.3% and 8.8% respectively on account of increased requirement of maintaining D-SIB at 0.8% w.e.f. 01.04.2025 from erstwhile 0.6%.*
- Net NPA is less than 6% and
- Tier 1 Leverage ratio is greater than 4.0%.

### **ii) Regulatory Provisions**

- a. Compliance with the provisions of Section 38 of the State Bank of India Act, 1955 including making provision for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all other matters for which provision is necessary.
- b. Compliance 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 and Investment Fluctuation Reserves etc.
- c. Compliance with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949<sup>1</sup>.

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<sup>1</sup> Guidelines laid down in Banking Regulation Act, 1949

#### **Section 15: Restrictions as to payment of dividend**

"(1) No banking company shall pay any dividend on its shares until all its capitalised 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.

(2) 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, debenture 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: Reserve Fund**

(1) 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."

- d. Compliance with Para 9 in Part B of Annexure II to RBI Master Direction on Financial Statements- Presentation and Disclosures dated 30<sup>th</sup> August 2021 (updated on 1<sup>st</sup> April 2024)<sup>2</sup>
- e. Compliance with para 13(d), 28, and 41 of RBI Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), dated 12<sup>th</sup> September 2023<sup>3</sup>.
- f. Compliance with para 76A and 77B(ii) of RBI Master Directions (Transfer of Loan Exposures), dated September 24, 2021 ("MD-TLE") (updated on 29th March 2025)<sup>4</sup>

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<sup>2</sup> **Para 9 in Part B of Annexure II to RBI Master Direction dated 30<sup>th</sup> August 2021**

*Banks desirous of paying dividend while carrying any intangible assets in its books must seek exemption from section 15(1) of the Banking Regulation Act, 1949 from the Central Government.*

<sup>3</sup> **RBI Master Direction dated 12<sup>th</sup> September 2023**

**Para 13(d):** *The unrealised gains transferred to AFS-Reserve shall not be available for any distribution of dividend.*

**Para 28:** *Banks 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 their Balance Sheet.*

**Para 41:** *Banks shall 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.*

<sup>4</sup> **RBI Master Direction dated 24<sup>th</sup> September 2021 ("MD-TLE"), updated on 29th March 2025**

**Para 76A:** *Notwithstanding the provisions contained in paragraph 76 of MD-TLE, the lenders can reverse the entire excess provision [viz. sale consideration (-) NBV] to the Profit and Loss Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India.*

*Provided that, the non-cash component of the excess provision [viz. excess provision (-) cash received at the time of transfer] shall be deducted from CET 1 capital, and no dividends shall be paid out of this component.*

**Para 77B(ii):** *However, any unrealized gain recognized in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from CET 1 capital, and no dividends shall be paid out of such unrealized gains.*



### iii) Quantum of Dividend Payable

- a. Maximum permissible Dividend Payout Ratio is 40% as stipulated by RBI in the matrix given below:

Category	CRAR	Net NPA Ratio			
		Zero	More than zero but less than 3%	From 3% to less than 5%	From 5% to less than 7%
		Range of Dividend Payout Ratio			
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the Current year	Up to 10		Up to 5	Nil

Note:

- Dividend payout ratio shall be calculated as a percentage of Dividend payable in a year (excluding dividend tax) to "Net profit during the year".
- The maximum amount of dividend payable will be calculated on the current year's profit adjusted for any extraordinary profits/ income and effect of qualification, if any, in the audit report. The actual dividend payout will be decided by the Central Board.
- It should be ensured that the financial statements pertaining to the financial year for which the bank is declaring a dividend are free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

- b. Bank shall comply with para 15.2.3.(iii) on conservation of capital, of Basel III Capital Regulations dated 1st April 2024<sup>5</sup>.

<sup>5</sup>Para 15.2.3 Master Circular DOR.CAP.REC.4/21.06.201/2024-25 dated 1<sup>st</sup> April 2024

Capital conservation buffer is applicable both at the solo level (global position) as well as at the consolidated level, i.e., restrictions would be imposed on distributions at the level of both the solo bank and the consolidated group. In all cases where the bank is the parent of the group, it would mean that distributions by the bank can be made only in accordance with the lower of its Common Equity Tier 1 Ratio at solo level or consolidated level.

**iv) Guidelines of Government of India Guidelines on minimum dividend payable**

The Ministry of Finance, Government of India vide letter dated 18<sup>th</sup> January 2013 has directed the Banks to pay a minimum dividend of 20% of their paid-up capital or 20% of their post-tax profits, whichever is higher. In case any Bank decides to pay an interim dividend, the total dividend to be paid by the Bank based on the annual results should be as per these guidelines. Any relaxation from these guidelines require prior permission of the Ministry of Finance, Government of India.

The Ministry of Finance, Government of India vide letter dated 4<sup>th</sup> June 2021 has clarified that the payment of minimum dividend is subject to regulatory guidelines issued by RBI and therefore specific prior permission shall be sought only if the dividend proposed to be paid is less than the minimum required under Government of India Guidelines as well as that permissible under the regulatory guidelines.

**3. INTERIM DIVIDEND**

Bank may declare interim dividend based on profitability subject to the limit minimum & maximum and other conditions stipulated in the Policy.

**4. DIVIDEND FOR VARIOUS CLASSES OF SHARES**

At present, the Bank has only one class of shares i.e. equity share. In the absence of varied class of shares, a single set of parameters has been prescribed for declaring / distribution of dividend.



## **5. UTILIZATION OF RETAINED EARNINGS**

The retained earnings will be used for the Bank's long-term growth plans, capital requirements or such other purposes the Bank's Board may deem fit for the benefit of the Bank and its stakeholders.

## **6. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND**

- The Board may recommend the dividend only if the financial parameters are fulfilled.
- Further, the declaration of dividend will also be subject to any directions or Communications issued by RBI/Government of India/Ministry of Finance from time to time and Bank may not declare the dividend in case of restrictive directives on distribution of profits.
- In addition to above, the Shareholders may not expect a dividend if the Board opt not to pay dividend if it strongly believes the need to conserve capital for growth or other exigencies or if the Dividend Stopper Clause in Bond issuances is triggered due to non-payment of interest on Bonds/Capital Instruments.

## **7. REVIEW OF POLICY**

The Dividend Distribution Policy will be put up for review/renewal as and when regulatory change takes place or at least within 3 years from the date of last Review.

## **8. DISCLOSURE OF THE POLICY**

The policy will be posted on the Bank's website and the and its web-link of the same will also be provided in the Bank's Annual Report.

Guidelines:

1. Banking Regulation Act, 1949
2. State Bank of India Act, 1955
3. The Securities Exchange Board of India, Listing Obligations & Disclosures Guidelines, 2015 (updated on 10.07.2024)
4. Government of India Directives on Dividend
5. RBI Guidelines:
  - a. Circular dated 04.05.2005 on Declaration of Dividend by Banks
  - b. Circular dated 22.04.2021
  - c. Circular dated 02.11.2021 on Prompt Corrective Action Framework
  - d. Master Directions (Investments) dated 12.09.2023
  - e. Master Directions (Preparation and Presentation of Financial statements) dated 30.08.2021 updated on 01.04.2024
  - f. RBI Master Direction dated 24.09.2021 ("MD-TLE"), updated on 29.03.2025
  - g. Basel III Capital Guidelines upto FY 2024-25  
CET 1 + MCCB + D-SIB + AT 1 +AT 2  
i.e.,  
5.5 + 2.5 + 0.6 +1.50 +2 =12.10%
  - h. Basel III Capital Guidelines from FY 2025-26 onwards  
CET 1 + MCCB + D-SIB + AT 1 +AT 2  
i.e.,  
5.5 + 2.5 + 0.8 +1.50 +2 =12.30%