

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