

ANNEXURE II

DIVIDEND DISTRIBUTION POLICY

Version No. 10.0

2026-27

**BALANCE SHEET AND CENTRAL ACCOUNTS SECTION
FINANCIAL MANAGEMENT WING
HEAD OFFICE
112, J C ROAD
BENGALURU – 560 002**

Document title	Dividend Distribution policy
Created by	Balance sheet & Central Accounts Section, Financial Management Wing
Date	21.05.2026
Document classification	Internal
Document No	FM Wing:BS&CA:42/2026 dated 21.05.2026

Version History

Version No	FY	Changes/Comments	Changed by
1.0	2017-18	Initial Document	BSCA Section
2.0	2018-19	Modified	BSCA Section
3.0	2019-20	Modified	BSCA Section
4.0	2020-21	No changes from version 3.0	BSCA Section
5.0	2021-22	Modified	BSCA Section
6.0	2022-23	Modified	BSCA Section
7.0	2023-24	No changes from version 6.0	BSCA Section
8.0	2024-25	No changes from version 7.0	BSCA Section
9.0	2025-26	No changes from version 7.0	BSCA Section
10.0	2026-27	Modified	BSCA Section

Version Approval

Version No	Date of Approval	Changes/Comments	Approved by
1.0	30.11.2016	Approved	ORMC
	04.02.2017	Approved	Audit Committee of the Board
	07.03.2017	Approved	Board of Directors
2.0	26.09.2017	Approved	ORMC
	26.12.2017	Approved	Audit Committee of the Board
	19.03.2018	Approved	Board of Directors
3.0	15.12.2018	Approved	ORMC
		Approved	Audit Committee of the Board
		Approved	Board of Directors
4.0	18.11.2019	Approved	ORMC
	29.11.2020	Approved	Audit Committee of the Board
5.0	30.11.2020	Approved	ORMC
	23.12.2020	Approved	Audit Committee of the Board
6.0	21.01.2022	Approved	ORMC
	10.03.2022	Approved	Audit Committee of the Board
7.0	05.01.2023	Approved	ORMC
	13.01.2023	Approved	Audit Committee of the Board
8.0	06.01.2024	Approved	ORMC
	20.01.2024	Approved	Audit Committee of the Board
	24.01.2024	Approved	Board of Directors
9.0	19.02.2025	Approved	ERMC
	18.03.2025	Approved	Audit Committee of the Board
	19.03.2025	Approved	Board of Directors
10.0	31.03.2026	Approved	ERMC
	13.05.2026	Approved	Audit Committee of the Board
	02.06.2026	Approved	Board of Directors

CONTENTS

SI No	Contents	Page No
1	Preface	5
2	Legal Framework	5
3	Objective	5
4	Scope of Application	5
5	Definitions	6
6	Policy	6-9
7	Profit Ineligible for payment of Dividend	10
8	Restriction on payment of dividend and remittance of profits	10
9	Penal consequences for non-compliance	10
10	Procedures	10
11	Disclosure	11
12	Records relating to Disclosure and Distribution of Dividend	11
13	Reporting System	11
14	Interpretation	11

LIST OF RBI CIRCULARS/GOI COMMUNICATION COVERED IN THE POLICY:

SI No	Circular/Communication No	Subject
1	DOR.ACC.REC.No.427/21.02.067/2025-26 dated March 10, 2026	Prudential Norms on Declaration of Dividend and Remittances of Profits
2	DOR.CAP.REC.70/21-01-002/2025-26 dated 28.11.2025 (updated on 10.03.2026)	Prudential Norms on Capital Adequacy
3	DOR.MRG.REC.No.81/00-00-001/2025-26 dated 28.11.2025	Classification, Valuation and Operation of Investment Portfolio Directions, 2025
4	DOR.STR.REC.No.78/21.04.048/2025-26 dated 28.11.2025	Transfer and Distribution of Credit Risk Directions, 2025
5	DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 dated November 02, 2021	Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks
6	DBS.CO.PPD.BC.No.8/11.01.005/ 2016-17 dated April 13, 2017	Revised Prompt Corrective Action (PCA) framework for Banks
7	GOI letter No F.No.10/3/2010 dated 18th January, 2013	Declaration of Dividend by the Public Sector Banks for the year 2012-13

1. Preface

The Board of Directors (**the “Board”**) of Canara Bank has adopted the following policy and procedures with regard to Distribution of Dividend in accordance with Securities and Exchange Board of India (SEBI) Notification on Listing Obligations and Disclosure Requirements) (Second Amendments) Regulations, 2016. The policy shall be subject to review/ratification in accordance with the procedure set forth below.

2. Legal Framework

Securities and Exchange Board of India (SEBI) vide Gazette Notification dated 02.09.2015 notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and these are effective from 01.12.2015.

In exercise of the power conferred by section 11, 11A (2) and 30 of SEBI Act, 1992 read with section 31 of SCRA, 1956, SEBI inserted Regulation 43A and issued Gazette Notification dated 08.07.2016.

As per the amended regulations, the top one thousand listed entities based on the market capitalization shall formulate a dividend distribution policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports. SEBI, vide the said Gazette Notification, provided the parameters for drawing Dividend Distribution Policy.

However, in case of Public Sector Banks (being Listed Entities), distribution of dividend is governed by any directions/communications received from Reserve Bank of India/Government of India/Ministry of Finance from time to time.

Any additional requirement mandated as per the guidelines of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) or Ministry of Finance that are communicated subsequent to the adoption of the policy shall automatically form part and parcel of the Policy and the Bank shall have to comply with all such additional requirements.

3. Objective

The policy is framed as per requirements of the Listing Regulations issued by SEBI effective from 1st December 2015. Regulations 43A required the top one thousand listed entities based on market capitalization shall formulate a dividend distribution policy. Canara Bank, being one of the top one thousand listed companies is also required to have the policy on distribution of dividend.

4. Scope of Application

The policy shall be applicable for the purpose of distribution of dividends by Bank including interim dividends on equity share capital of the Bank.

5. Definitions

5.1 “Audit Committee of the Board (ACB)” means Committee of Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI) and the Government of India (GOI). The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalization and quality control of internal audit and inspection within the Bank and follow up on the statutory/external audit of the Bank.

5.2 “Board” means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

5.3 “Bank” shall mean “Canara Bank” constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;

5.4 “Listing Agreement” shall mean the listing agreement for equity executed by the Bank with Bombay Stock Exchange (BSE) Limited and National Stock Exchange of India Limited (NSE), as per the SEBI (LODR) regulations 2015, where the equity share of the Bank is listed.

5.5 “Dividend” means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS)

5.6 “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

5.7 “Extra-ordinary profit / income” means income or profits arising from events or transactions that are clearly distinct from the ordinary activities of the Bank and, therefore, are not expected to recur frequently or regularly

5.8 “Policy” means Dividend Distribution Policy which herein after shall be referred as “DD Policy”.

5.9 “Reserve Bank of India” shall mean Reserve Bank of India as constituted under the Reserve Bank of India Act, 1934.

6 Policy

Bank can declare and distribute dividend subject to the fulfillment of following conditions:

6.1 Board Oversight:

6.1.1 The Board of Directors while considering the proposal for declaration of dividend or remittance of profit of a bank shall consider the following:

- 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
- Auditors’ Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year for which the dividend is proposed
- Current and projected capital position vis-à-vis applicable regulatory capital requirement
- Long term growth plans

6.2 Eligibility Criteria:

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

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

Provided, Banks are required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement of 9%. The capital distribution constraints will be imposed on Banks when their capital levels fall within this range. The below table shows the minimum capital conservation ratios a Bank must meet at various levels of the Common Equity Tier 1 capital ratios.

Minimum capital conservation standards for individual bank	
Common Equity Tier 1 Ratio after including the current periods retained earnings	Minimum Capital Conservation Ratios (Expressed as % of earnings)
5.5% - 6.125%	100%
>6.125% - 6.75%	80%
>6.75% - 7.375%	60%
>7.375% - 8.0%	40%
>8.0%	0%

The Common Equity Tier 1 (CET1) ratio includes amounts used to meet the minimum Common Equity Tier 1 capital requirement of 5.5%, but excludes any additional Common Equity Tier 1 needed to meet the 7% Tier 1 and 9% Total Capital requirements.

Provided further that, Banks incorporated in India having international presence is required to maintain adequate capital under Countercyclical Capital Buffer (CCCB) as prescribed by the host supervisors in respective jurisdictions. Banks will be subject to restrictions on discretionary distributions (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). Assuming a concurrent requirement of CCB of 2.5% and CCCB of 2.5% of total Risk Weighted Assets (RWAs), the required conservation ratio (restriction on discretionary distribution) of a bank, at various levels of CET1 capital held is illustrated in the following Table:

Individual bank minimum capital conservation ratios, assuming a requirement of 2.5% each of capital conservation buffer and CCCB	
Common Equity Tier 1 Ratio bands	Minimum Capital Conservation Ratios (Expressed as a percentage of earnings)
>5.5% - 6.75%	100%
>6.75% - 8.0%	80%
>8.0% - 9.25%	60%
>9.25% - 10.50%	40%
>10.50%	0%

Confidential

The CET 1 ratio bands are structured in increments of 25% of the required CCB and CCCB prescribed by the Reserve Bank of India at that point in time.

Also, the declaration of dividend is further subject to the restrictions imposed by RBI vide its Circular DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 dated November 2nd 2021 on “Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks”. The provisions of the revised PCA framework is effective from January 1, 2022.

The Revised Prompt Corrective Action (PCA) framework for Banks had given the indicators to be tracked for Capital, asset quality and profitability. Based on the indicators mentioned in the Circular, risk thresholds have been classified into three categories as given in the table below and the mandatory action that would be taken when a bank breaches the said risk threshold.

The various indicators for classifying under risk thresholds:

PCA matrix – Parameters, indicators and risk thresholds				
Parameter	Indicator	Risk Threshold 1	Risk Threshold 2	Risk Threshold 3
(1)	(2)	(3)	(4)	(5)
Capital (Breach of either CRAR or CET 1 ratio to trigger PCA)	CRAR - Minimum regulatory prescription for Capital to Risk Assets Ratio + applicable Capital Conservation Buffer (CCB)	Up to 250 bps below the indicator prescribed at column (2)	More than 250 bps but not exceeding 400 bps below the indicator prescribed at column (2)	In excess of 400 bps below the indicator prescribed at column (2)
	and/or Regulatory Pre-Specified Trigger of Common Equity Tier 1 Ratio (CET 1 PST) + applicable Capital Conservation Buffer (CCB)	Up to 162.50 bps below the indicator prescribed at column (2)	More than 162.50 bps below but not exceeding 312.50 bps below the indicator prescribed at column (2)	In excess of 312.50 bps below the indicator prescribed at column (2)
Asset Quality	Net Non-Performing Advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
Leverage	Regulatory minimum Tier 1 Leverage Ratio	Up to 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

Based on the various risk thresholds, certain mandatory and discretionary actions would be initiated against Banks. The mandatory actions amongst others include the restriction on dividend distribution irrespective of the risk threshold under which a Bank is classified.

6.2.2 The bank incorporated in India shall have positive adjusted Profit After Tax (PAT) for the period for which the dividend is proposed.

6.2.3 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.

6.2.4 Declaration of dividend shall be further subject to any Directions or Communications issued by RBI/Government of India/Ministry of Finance from time to time.

6.3 Quantum of Dividend Payable:

A bank incorporated in India which satisfies the eligibility criteria, 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	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 above Table refers to the respective applicable D-SIB buffer. 'z' shall be zero for a bank not classified as D-SIB.

- 6.4 As per the extant guidelines of Government of India, the Banks are required to pay a minimum dividend of 20% of their equity (i.e., paid up capital) or 20% of their post-tax profits whichever is higher.
- 6.5 The quantum of the dividend shall be subject to the fulfillment of the criteria as enumerated in Point No 6.2 above and the limit (Maximum/Minimum); if any; as stipulated by GoI/RBI/SEBI from time to time.
- 6.6 Bank may declare Interim Dividend based on profitability. In such case it will be adjusted while declaring final dividend and the total dividend to be paid by the Bank including interim dividend shall be subject to the limit (Maximum/Minimum) and other conditions as stipulated herein in this policy.
- 6.7 Further, in terms of the instructions received from Ministry of Finance, Govt. of India vide letter dated 04th June, 2021, it has been clarified that the payment of minimum dividend is subject to regulatory guidelines issued by RBI 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/ instructions.

7 Profits ineligible for payment of dividend:

- 7.1 Any exception and / or extra-ordinary profits / income shall not be available for payment of dividend.
- 7.2 If the audit report by the statutory auditor contains a modified opinion that indicates an overstatement of the PAT, the same shall not be available for payment of dividend to the extent it is included in PAT.**
- 7.3 Bank shall not pay dividend out of net unrealized gains arising on fair valuation of Level 3 financial instruments (including derivatives).
- 7.4 Bank shall not pay dividend from reversal of excess provisions and unrealized profits arising on account of transfer of loans & Security Receipts guaranteed by the Government of India.

8 Restriction on payment of dividend and remittances of profits:

- 8.1 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.**
- 8.2 If a bank does not meet the eligibility criteria as above, no special dispensation will be given for declaration of dividend or for remittance of profits for that period.

9 Penal consequences for non-compliance:

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

10 Procedures:

- 10.1 Balance Sheet and Central Accounts (BSCA) Section, Financial Management (FM) Wing shall recommend the Dividend Payout Ratio to the Board of Directors subject to the fulfillment of policy guidelines as explained in Point No 6 above.
- 10.2 BSCA Section, FM Wing should take into account the following aspects while deciding on the proposals for declaring dividend:
- ✓ The interim dividend paid;
 - ✓ The Risk Based-Supervision, RBI findings with regard to divergence in identification of NPAs, shortfall in provisioning etc.
 - ✓ The auditor's qualification pertaining to statement of accounts.
 - ✓ The banks long term growth plan.
 - ✓ Current & Projected Capital position vis-à-vis applicable regulatory capital requirement.
 - ✓ Basel and other regulatory requirements.
- 10.3 Company Secretary, Secretarial Department, shall ensure the compliance of procedural aspects of distribution of Dividend as enumerated in Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 and reporting of declared dividend to the regulators.

