

**TREASURY AND ACCOUNTS DEPARTMENT**

**POLICY ON DIVIDEND DISTRIBUTION FY 2023-24**

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## **1. OBJECTIVE**

The objective of this policy is to lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to its shareholders for a Financial Year. The policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **2. STATUTORY AND REGULATORY COMPLIANCE :-**

The Bank shall declare dividend only after ensuring compliance with the Banking Regulation Act 1949, regulatory guidelines on dividend declaration issued by the Reserve Bank of India (RBI) from time to time, provisions of the Companies Act, 2013 and rules made there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended and to the extent applicable to the Banking Companies.

## **3. FINANCIAL CRITERIA :-**

- Financial performance of the Bank for the year for which dividend is recommended.
- Internal capital planning framework/policy.
- Dividend payout trends.
- Tax implications if any, on distribution of dividends.
- Cost of raising funds from alternate sources of capital.
- Corporate actions including bonus / rights / mergers / demergers, acquisitions and additional investments including expansion plans and / investments in Joint Ventures of the Bank.
- Such other factors and / or material events which the Bank's Board may consider.

## **4. EXTERNAL FACTORS :-**

- Shareholders expectations including individual shareholders.
- Macroeconomic environment.

## 5. QUANTUM OF DIVIDEND :-

Amount of dividend payout in a year shall be determined after considering the financial performance of the Bank, the capital fund required for supporting future business growth etc. In line with the past practice subject to adequate distributable profits, it will be endeavor of the Bank to target the dividend payout ratio upto a maximum of 35% of Net profits during the year excluding any applicable taxes.

## 6. REGULATORY GUIDELINES:

The Reserve Bank of India vide Circular No.DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 5, 2005 has granted general permission to Banks to declare Dividend subject to meeting prescribed eligibility criteria. The matrix for maximum permissible range of Dividend Payout Ratio is as under:

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

## 7. INTERIM DIVIDEND :-

Bank may choose to pay Interim dividend to its shareholders. The same will be declared by the Board after review of profits earned during the relevant year, arrive at

as per the provisions of Companies Act 2013. Shareholder approval is not required for payment of Interim Dividend.

#### **8. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND :-**

The Board of the Bank may not recommend any dividend if the eligibility criteria for the recommendation of dividend has not been met by the bank, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or other exigencies. There may also be regulatory obligation that the bank would have undertaken in form of Dividend stopper clauses in bond issuances which might get triggered in certain circumstances and would prohibit the bank from declaring dividend.

#### **9. UTILISATION OF RETAINED EARNINGS :-**

The Bank would utilize the retained earnings of the Bank in a manner which is beneficial to the interest of the Bank and its stake holders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the bank's future business growth / expansion and strategic plans or such other purposes the Board may deem fit from time to time in the interest of the Bank and its stake holders.

#### **10. PARAMETERS FOR VARIOUS CLASSES OF SHARES :-**

Currently, the Bank does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and / or shares with differential voting rights, the entire distributable profits for the purpose of declaration of Dividend is considered for the equity share holders.

#### **11. DIVIDEND INFORMATION :-**

Information on dividends paid in the last five years including dividend yield and payout ratio will be made available on the Bank's website.

**12. CONFLICT IN POLICY :-**

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

**13. AMENDMENTS / MODIFICATIONS :-**

To the extent any change / amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and for necessary ratification.

**14. REVIEW OF POLICY :-**

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with rationale for the same on the Bank's website and in the Annual Report.

**15. DISCLOSURE OF THE POLICY:-**

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

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