DIVIDEND DISTRIBUTION POLICY

Preamble

In terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Top 1000 listed entities based on market capitalization are required to formulate a Dividend Distribution Policy which is to be disclosed on the website of the listed entity and a web-link shall be provided in the annual report.

The objective of dividend policy is to maintain equilibrium between retention of profit to enhance value and also to meet long term growth plans of the bank and rewarding its shareholders with optimum amount for reposing confidence in the bank.

Regular dividend payment helps in creating confidence among the shareholders, stabilizes the market value of shares, helps in improving the goodwill of the company and gives regular income to the shareholders.

It is at the discretion of the Board to recommend dividends, to be paid to its shareholders. The Board may also declare interim dividends. Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board.

This policy confirms to all statutory / regulatory guidelines.

साकेत मेहरोत्रा	विन्नी मखीजा	महिमा अग्रवाल
मुख्य प्रबन्धक	सहायक महाप्रबंधक	उपमहाप्रबंधक (लेखा)
(कंपनी सचिव)		

DIVIDEND DISTRIBUTION POLICY

Introduction

In terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Top 1000 listed entities based on market capitalization are required to formulate a Dividend Distribution Policy which is to be disclosed on the website of the listed entity and a web-link shall be provided in the annual report.

Parameters Specified by SEBI

The Distribution of Dividend by Bank will be based on the following parameters:

(a) Circumstances / Events under which the shareholders of the listed entities may not expect dividend:-

- Shortfall in capital as per Basel III guidelines issued by RBI
- Shortfall in capital as per ICAAP policy of the Bank
- Decrease in Profits earned during the financial year
- Cost of raising funds from alternate sources is higher
- Stress on Cash flow position
- Annual Financial Inspection findings of the Reserve Bank with regard to identification of NPAs
- Shortfall in provisioning
- Auditors' qualifications pertaining to the statement of accounts, etc.

(b) Financial Parameters viz-a-viz Banking Industry:-

- Return on Assets
- Return on Equity
- Net Interest Margin
- Growth in Business
- CRAR
- Gross NPA Ratio
- Net NPA Ratio
- CD Ratio

The above circumstances / events are not exhaustive.

(c) Internal and external factors shall also be considered for declaration of dividend;
(d) Policy as to how the retained earnings shall be utilized;
(e) Parameters that shall be adopted with regard to various classes of shares

RBI Guidelines

A. Declaration of dividends by Banks:

The following **minimum** prudential requirements would be complied with by the Bank before declaring dividend without prior approval of RBI:

- CRAR of at least 9 % for preceding two completed years and the accounting year for which it proposes to declare dividend.
- Net NPA less than 7 %.

In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 9 % plus applicable CCB for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

i) The Bank should comply with the provisions of **Sections 15 and 17 of the Banking Regulation Act, 1949.**

ii) The Bank should comply 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 etc.

iii) The proposed dividend should be payable out of the current year's profit.

iv) The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

B. As per extant guidelines of RBI, Capital Conservation Buffer (CCB) has been implemented from March 31, 2016 in phases and has come into effect.

It is stipulated that currently, dividend payment by banks is governed by the provisions of circular DBOD.No.BP.BC.88/21.02.067/2004-05 dated May 04, 2005 on 'Declaration of Dividends by Banks'. Basel III framework also imposes certain constraints on distributions (i.e. payment of dividend or bonuses in any form etc.) in case the capital level of banks falls within the stipulated range as prescribed by the capital buffers framework (i.e. capital conservation and countercyclical buffers etc.).

Therefore, it is clarified that the dividend payment by banks would be governed by the interaction of both these guidelines.

C. Bank should not have come under Risk Threshold as per RBI's Prompt Corrective Action (PCA) framework for Banks as defined in their circular DBS.CO.PPD.BC.No.8/11.01.005/ 2016-17 dated April 13, 2017 wherein it has provided the revised PCA framework for banks. In case of breach of risk threshold – 1 of Capital, asset quality, profitability and leverage ratios, the mandatory action specified is restriction on dividend distribution/remittance of profits by the Banks.

Quantum of dividend payable

Banks, which fulfill the eligibility criteria as stated above, may declare and pay dividends, subject to the following:

(i) The dividend payout ratio shall not exceed 40 % and shall be as per the matrix:-

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

[Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year']

ii) In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio.

(iii) The financial statements pertaining to the financial year for which the bank is declaring a dividend should be 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.

Extant Guidelines of Ministry of Finance: - Banks are required to pay a minimum dividend of 20% of their equity (paid up Capital) or 20% of their Post tax profits, whichever is higher. In case any bank decides to pay interim dividend, the total dividend to be paid by the bank on the annual results should be as per the above guidelines.

Legal Provisions regarding Dividend

The mode of payment of dividend by listed entities is covered under Regulation 12 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Other related provisions of LODR are:

i) Regulation 29 – Entities to intimate the stock exchanges prior to declaration of dividend
ii) Regulation 42(3) – a listed entity shall recommend or declare all dividend and/or cash bonuses at least five working days before the record date.
iii) Regulation 43- a listed entity shall declare and disclose the dividend on per share basis only and that it shall not forfeit unclaimed dividend before the claim becomes barred by law.

The Board of Directors may consider and recommend dividend including interim dividend(s), skip dividend at its discretion taking into consideration the internal & external factors, any other regulatory / statutory guidelines / instructions applicable on the bank.

Guidelines issued by RBI from time to time in connection with dividend distribution/ declaration shall prevail over and above the provisions of the "Dividend Distribution Policy."

The Policy shall be reviewed by the Board of Directors on annual basis in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by Relevant Statutory Regulatory Authorities from time to time.

Website Updation:

Dividend Distribution Policy may be placed on the website of the Bank.