

**Dividend Distribution Policy of the Bank**

**1. Objective**

Dividend Distribution Policy of the Bank ("Policy") has been framed pursuant to Regulation 43A inserted by the notification issued by SEBI i.e. SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 published in Part III, Section 4 dated of the Extraordinary Gazette of India on July 08, 2016.

**2. Factors for Declaration of Dividend**

The Bank will take into account the interest of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

- i) The interim dividend paid;
- ii) Bank's long-term growth plans;
- iii) State of the economic environment of the country;
- iv) BASEL III compliance.

**3. Utilization of Retained Earnings**

The retained earnings will be used for the Bank's long-term growth plans, capital requirements or as per the decision of the Bank's Board, for the benefit of the Bank and its stakeholders or for the compliance of instructions/ guidelines received from RBI/ Govt. of India.

**4. Financial Parameters for Dividend Distribution**

The following financial parameters will be considered by the Bank before declaration of dividend:



- a) Dividend will be paid out of the current year's profit only.
- b) Bank will distribute dividend only if it has a CRAR of at least 11.325%<sup>1</sup> (including CET 1  $\geq$  7.825%) for the accounting year for which it proposes to declare dividend and its Net NPA is less than 6%.
- c) Compliance with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949<sup>2</sup>.
- d) 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.
- e) Absence of any explicit restrictions on the Bank for declaration of dividend by RBI.
- f) 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.
- g) Maximum permissible Dividend Payout Ratio (excluding dividend distribution tax) is 40% as stipulated by RBI.

<sup>1</sup> 12.10% (including CET1  $\geq$  8.6) from 31.03.2020

<sup>2</sup> 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."



- h) The maximum amount of dividend payable will be calculated on the current year's profit adjusted for any extra-ordinary profits/ income and effect of qualification, if any, in the audit report. The actual dividend payout will be decided by the Central Board.

**5. Circumstances under which the shareholders may or may not expect dividend**

The distribution of dividend is subject to compliance of the following conditions:

- i. Profit in the year under consideration,
- ii.  $CRAR \geq 11.325\%^3$   
(Including CET 1  $\geq 7.825\%$ )
- iii. Net NPA less than 6%
- iv. BASEL III compliance
- v. Tier 1 Leverage ratio  $> 4.0\%$

**6. 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.

**7. Review of Policy / Website updation**

The Dividend Distribution Policy will be reviewed as and when regulatory changes take place. However, it will be reviewed at least once in every three years.

The policy will be posted on the Bank's website and the same would be disclosed in the Bank's Annual Report.

<sup>3</sup> 12.10% (including CET1  $\geq 8.6$ ) from 31.03.2020

