



# Dividend Distribution Policy

## History of Revisions

<b>Version</b>	<b>Summary of Revisions</b>	<b>Date of Approval</b>
5.0	Annual Review	09-Nov-20
4.0	Listing Requirement	21-Nov-19
3.0	Annual Review	21-Jun-19
2.0	Annual Review	26-Jul-18
1.0	Policy Formulation	04-May-17

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## 1. Preamble

### 1.1 Objective of the Policy

The objective of this Policy is to provide a framework, which will enable the Equitas Small Finance Bank to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth in banking operations

### 1.2 Scope of the Policy

- a. This policy will cover the role, rights and responsibilities of the Equitas Small Finance Bank (ESFB or "Bank") in determining & processing the Dividend to be distributed to its share holders
- b. This policy also enumerates the broad guidelines in determining the dividend calculations in line with all regulatory requirements

### 1.3 Definitions

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

## 2. Regulatory Framework Applicable Regulations

### 2.1 [SEBI \(Listing Obligations and Disclosure Requirements\) Second Amendment Regulations, 2016](#)

2.1.1 The top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) should formulate a dividend distribution policy which should be disclosed in Companies annual reports and on the websites.(Clause 43A(1) of the Regulation)

2.1.2. The dividend distribution policy shall include the following parameters:

- (a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- (b) the financial parameters that shall be considered while declaring dividend;
- (c) internal and external factors that shall be considered for declaration of dividend;
- (d) policy as to how the retained earnings shall be utilized; and
- (e) parameters that shall be adopted with regard to various classes of shares (Clause 43A (2) of the Regulation)

### 2.1.3 Payment of dividend

Bank should use any of the electronic mode of payment facility approved by RBI for payment of dividends. Wherever it is not possible to use electronic mode of payment, Bank might issue 'payable at par' warrants or cheques (Clause 12 of the circular)

## **2.2 RBI Notification on Declaration of dividends by banks dated May 4, 2005**

2.2.1 Bank which comply with the minimum prudential requirements, would be eligible to declare dividends (Clause 3 of the circular)

2.2.2. The Quantum of Dividend payable has to be based on the dividend payout ratio, which should not exceed 40 % (Clause 4 of the circular)

2.2.3 Board Oversight

The guidelines on Dividend Distribution should be placed before the Board at its next meeting. Bank Board should take into account the interests of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

- a. the interim dividend paid,
- b. the Annual Financial Inspection findings of the Reserve Bank with regard to divergence in identification of NPAs, shortfall in provisioning, etc.,
- c. the auditors' qualifications pertaining to the statement of accounts
- d. the Basel II capital requirements, and
- e. the bank's long term growth plans.

## **3. ESFB Policy framework**

### **3.1 General Policy on Dividend Distribution**

It is the intention of the Board to maintain an appropriate Dividend Payout ratio of the Profits after tax subject to the parameters mentioned in 3.2 below. Such Payout percentage amongst other factors, would be based on prevalent Dividend payment practices of other Banks. Dividend, if declared, will be paid annually within 30 days of the Annual General Meeting declaring such dividend. The Board may, at its discretion subject to parameters specified below

- a. Pay Interim Dividend based on estimated profits for the Financial Year;
- b. Pay Special Dividends on any special occasion; or
- c. Increase or decrease the Payout ratio

### **3.2 Parameters for determining the quantum of Dividend Distribution**

The factors that will guide the quantum of dividend to be distributed will include the following:

#### **3.2.1 Internal Parameters**

- a. Distributable Profits
- b. Need to conserve adequate resources for future business and operational growth & capital requirements
- c. Maintaining stable dividend pay-out over the years'
- d. Quantum of cash to be preserved for exigencies & contingencies
- e. Avenues for better utilization

### **3.2.2. External Parameters**

- a. Regulatory framework defined by RBI/ SEBI/ Companies Act
- b. General economic scenario both, domestic and global
- c. Practices adopted by Industry and Peer Group Companies

### **3.3 Parameters Dealing with Retained Earnings**

Retained Earnings after payment of dividend will be utilized for the following purposes:

- a. Deployment in banking operations and to meet enhanced capital requirements necessitated by growth and expansion
- b. Maintaining a safety net to meet any exigencies or to take advantage of any business opportunities

### **3.4 Circumstances under which Dividend may not be distributed**

- a. Year of inadequate profits or cash losses
- b. Cash requirement for any other unforeseen contingencies or circumstances

### **3.5 Policy for Different Classes of Shares**

The holders of the equity shares of the Bank, as on Record Date, are entitled to receive dividends. Since the Bank has issued only one class of Equity shares with equal voting rights, all the members of the Bank are entitled to receive the same amount of dividend per share.

In the event of the Bank issues in future, any shares with preferential rights over equity shares, the same will be adhered to in accordance with the terms of such issue.

### **3.6 Mode of Payment**

As per Regulation 12 of the Listing Regulations, the Bank will use any of the electronic modes of payment facility approved by the Reserve Bank of India for the payment of the dividends. Where it is not possible to

use electronic mode of payment, 'payable-at-par' warrants or cheques will be issued to the eligible shareholders. Further, where the amount payable as dividend exceeds ₹1,500, the payable-at-par warrants or cheques will be sent by speed post.

### **3.7 Display of the Policy**

The Dividend Distribution Policy will be updated on the website of the Bank and further disclosed in the Annual Report of the Bank.

#### **4. Provisions in policy over and above but in consonance with RBI guide lines**

None.

#### **5. Changes to the Policy**

No changes are being proposed to the policy.

#### **6. Periodicity of Review of the Policy**

The Board will review this policy at annual intervals and at such intervals as may be required on the regulatory and other exigencies

<b>Author of the Policy</b>	<b>Finance</b>
<b>Reviewer of the Policy</b>	<b>Compliance</b>
<b>Name of Committee which recommended to the Policy Formulation Committee of the Board</b>	<b>Executive Policy Formulation Committee</b>
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