



**Utkarsh Small Finance Bank**

**DIVIDEND DISTRIBUTION POLICY**



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## 1. Background

This dividend distribution policy ("**Policy**") is formulated in accordance with regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015, as amended ("**Listing Regulations**") and shall be disclosed in the annual report and on the website of Utkarsh Small Finance Bank Limited ("**Bank**").

## 2. Object

The object of this Policy is to provide parameters to be considered by the Board of Directors of the Bank ("**Board**") before declaring or recommending dividend and aims to maintain a balance between rewarding shareholders through dividend and also ensuring that sufficient funds are retained for the growth of the Bank.

## 3. Scope

The Policy covers the following:

### i. Dividend to equity shareholders of the Bank:

The Bank currently has only one class of equity shares and accordingly, the dividend will be distributed equally among all the equity shareholders, based on their shareholding on the record date. The parameters for payment of dividend in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Bank decides to issue other classes of shares.

### ii. Interim dividend:

The interim dividend, if any, shall be declared by the Board.

### iii. Final dividend:

Recommendation, if any, shall be made by the Board, in the board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Bank.

The dividend as recommended by the Board shall be approved/declared in the annual general meeting.

## 4. Parameters to be considered before recommending dividend

Statutory and Regulatory Compliance:

The Bank shall declare dividend only after ensuring compliance with the provisions of the Banking Regulation Act, 1949, as amended, regulatory guidelines/ circulars on dividend declaration issued by the Reserve Bank of India from time to time, provisions of the Companies Act, 2013 and rules made thereunder, each as amended, Listing Regulations and any other regulations as maybe applicable from time to time.



Financial parameters such as:

- i. Profits earned during the financial year;
- ii. Accumulated reserves;
- iii. Profitability outlook for the coming years;
- iv. Dividend payout trends;
- v. Tax implications, if any, on distribution of dividends;
- vi. Cost of raising funds from alternate sources of capital;
- vii. Expansion or modernisation of existing businesses;
- viii. Optimal Capital Adequacy Ratio (CAR) subject to regulatory minimum of total and Tier 1 CAR;
- ix. Other factors and/or material events which the Board may consider.

Internal factors:

- i. Any interim dividend paid;
- ii. Reinvestment opportunities;
- iii. Restrictions on payment of dividend under agreements/ contracts (for e.g. loan agreements) entered into by the Bank;
- iv. Corporate actions including mergers/demergers, acquisitions, etc.

External factors:

- i. Significant changes in the macro-economic and market conditions;
- ii. Shareholder expectations including individual shareholders;
- iii. Changes in taxation, regulation and government policies.

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

The Bank may not distribute dividend or may distribute a reduced quantum of dividend when there is absence or inadequacy of profits. Further, if one or more of the criteria for recommendation of dividend is not fulfilled by the Bank, including any regulatory restriction placed on the Bank on declaration of dividend, or if the Board is of the view that it would be prudent to conserve capital for expansion of business or other exigencies, which shall be stated by the Board, dividend may not be declared or the Bank may declare reduced dividend.

## **6. Utilisation of Retained Earnings**



The retained earnings of the Bank would be used across general corporate purposes and growth. The Board may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the Bank's future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

#### **7. Mode of payment of dividend**

In accordance with Regulation 12 of the Listing Regulations, the Bank shall 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 Rs. 1,500, the payable-at-par warrants or cheques shall be sent by speed post.

#### **8. Conflict**

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

#### **9. Review and amendment**

The Board shall review this Policy annually and make amendments to the Policy, as required, to make it consistent with the laws or regulations applicable from time to time.

In case the Board proposes to declare the dividend on the basis of criteria(s) in addition to those specified in this Policy, or proposes to modify the parameters, it shall disclose such changes along with the rationale for the same on the Bank's website at <https://www.utkarsh.bank/our-policies> and in the annual report.

#### **10. Disclosure**

The Bank shall disclose this Policy on its website at <https://www.utkarsh.bank/our-policies> and in the annual report.