

DCB Bank Limited (“the Bank”)
Dividend Distribution Policy

Background:

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), as amended from time to time, the Bank is required to formulate the Dividend Distribution Policy. Such policy shall be disclosed in the annual report and on the website of the Bank.

Accordingly, the Board of Directors of the Bank at its meeting held on January 17, 2017 had approved and adopted the Dividend Distribution Policy (“Policy”). This Policy was last reviewed and approved by the Board on February 2, 2021.

Objective:

This Policy is framed to lay down the guidelines on Dividend Distribution that balances the dual objectives of appropriately rewarding the shareholders of the Bank through dividends and retaining capital in order to maintain a healthy capital adequacy ratio to support future growth within regulatory framework.

Criteria for declaration and payment of Dividend:

The Board of Directors of the Bank can recommend / declare dividend only after ensuring compliance with the applicable provisions the Companies Act, 2013, the Rules made thereunder and in line with the SEBI Listing Regulations, Banking Regulation Act, 1949, various other regulatory guidelines, circulars, directions issued by the Reserve Bank of India (RBI) from time to time in this regard.

Conditions Precedent for declaring /recommending dividend:

- **Financial Parameters:** - While recommending/ declaring dividend, in addition to the regulatory requirements, the Board of Directors of the Bank shall also consider, inter-alia, the following financial parameters-
 - Financial performance of the Bank for the year for which dividend is recommended
 - Basel III capital requirements and Bank’s long-term growth plan
 - Tax implications if any, on distribution of dividend
 - Corporate actions including mergers/demergers, acquisitions, bonus issue, right issue
 - Interim dividend paid, if any
 - Annual Financial Inspection findings of RBI with regard to divergence in identification of NPAs, shortfall in provisioning, etc.
 - The auditors’ qualifications pertaining to the statement of accounts
 - Such other factors and/or material events which the Bank’s Board may consider

- **Internal and External Factors:**

While recommending/ declaring dividend, the Board shall also consider various factors, internal as well as external such as global market conditions especially for banking industry, consistency in earning profit in the past as well as possibility of the same for future, changes in policies of government, future business plans, market competition, past dividend trends, legal aspects, etc.

Circumstances for Dividend Expectation:

Subject to the compliance with various regulatory requirements as applicable to the Bank, the recommendation/ declaration of any dividend would always be at the sole discretion of the Board of Directors of the Bank who will recommend/ declare dividend considering various factors as it may deem fit.

As per the applicable regulatory requirements, the Bank can pay dividend only out of the relevant year's profit. The Bank will follow the relevant regulatory requirements subject to changes therein from time to time. Further, Dividend Payout Ratio may differ year on year depending on the internal and external factors subject to prevailing extant Regulatory Guidelines, including the factors mentioned above

The Board of Directors of the Bank may vary the level of dividend or not recommend any dividend based on the capital and reserves position of the Bank. The Board of the Bank may not recommend any dividend if the eligibility criteria for 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 or for business expansion.

Parameters for various classes of shares:

Currently, the Bank does not have any other class of shares other than equity shares. In the absence of any other class of shares, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders. In case of any other class of shares issued by the Bank, in future, the parameters shall be decided accordingly by the Bank.

Manner of Payment of dividend:

As per Regulation 12 of SEBI Listing Regulations, the Bank shall use any of the electronic mode 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' dividend warrants or Demand drafts may be issued to the eligible shareholders.

Income Tax on Dividend:

In terms of the provisions of the Income-tax Act, 1961, dividend paid or distributed by a Bank is taxable in the hands of the shareholders. Therefore, the Bank shall deduct tax at source at the time of payment of dividend to its shareholders as per applicable provisions.

Utilization of Retained Earnings:

The Bank would utilise the retained earnings in a manner which is beneficial to the interest of the Bank and its stakeholders, 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 purpose the Board may deem fit from time to time in the interest of the Bank and its stakeholders as per the applicable regulatory requirements.

Conflict in Policy and Amendments/ Modifications:

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

Disclosure on deviation

If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report. Further, reporting to respective regulatory authority shall be made as per extant guidelines.

Disclosure of Policy:

The policy will be available on the Bank's website and its web-link will also be provided in the Bank's Annual Report.

Review:

The Board of Directors of the Bank will review the policy annually.