



**SURYODAY SMALL FINANCE BANK LIMITED**

**DIVIDEND DISTRIBUTION POLICY**

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## **OBJECTIVE**

The objective of the Dividend Distribution Policy of the Bank is to lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to its shareholders for a financial year and provide a framework by which the Bank may reward its shareholders appropriately through dividends and retain profits in the business for long term growth of the Bank's business.

The Policy is framed under Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **CRITERIA TO BE CONSIDERED BY THE BOARD BEFORE RECOMMENDING DIVIDEND**

The Bank shall take into account the interests of all the stakeholders and the following aspects while deciding on the proposals for recommending dividend and/or retention of profits:

### **A. Financial Parameters:**

The Financial eligibility criteria and the dividend payout ratio computation shall be as per RBI circular RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 on 'Declaration of dividends by banks' dated May 4, 2005.

The Board shall 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, if any, paid during the year,
- b) the Annual Financial Inspection findings of the Reserve Bank regarding divergence in identification of NPAs, shortfall in provisioning, etc.,
- c) the auditors' qualifications, if any,
- d) the Basel II capital requirements, and
- e) the Bank's long term growth plans.

### **B. Regulatory Parameters:**

The Board of the Bank may recommend dividend (including interim dividend) in compliance with the relevant provisions of:

- a) the Companies Act, 2013 and the Rules thereunder;
- b) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations ), to the extent applicable to banking companies;
- c) the Banking Regulation Act,1949 and the directions, circulars and guidelines issued by RBI in this regard from time to time.

The eligibility and quantum of dividend to be declared shall be based on compliance with the minimum prudential requirements as provided by the relevant RBI Circulars from time to time.

In the event of a conflict between the Policy and the Regulatory guidelines, the Regulatory guidelines shall prevail.

### **C. Internal and External Factors:**

The Board shall consider the following internal and external factors before recommending dividend apart from factors as stated in May 2005 circular:

#### **1. Internal factors**

- a. Distributable Profits
- b. Need to conserve adequate resources for growth and capital requirements
- c. Past dividend trends
- d. Quantum of cash to be preserved for exigencies & contingencies
- e. Avenues for better utilization of funds
- f. Any other factors as the Board of Directors may consider appropriate. .

#### **2. External factors**

- a. General economic environment both, domestic and global
- b. Capital markets scenario
- c. Practices adopted by Industry and peer group companies
- d. Shareholders' expectations.

### **UTILIZATION OF RETAINED EARNINGS**

The retained earnings of the Bank would be used across general corporate purposes and growth. The Board may decide to utilise the retained earnings to meet enhanced capital requirements for Bank's future growth/expansion plans, to ensure maintenance of an optimal level of capital adequacy, to meet any business exigencies, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

### **CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY NOT EXPECT DIVIDEND**

The Board of the Bank may not recommend any dividend in the following circumstances:

- a) inadequate profits or cash losses
- b) the eligibility criteria for recommendation of dividend have not been met by the Bank, including any regulatory or contractual restriction placed on the Bank on declaration of dividend;
- c) requirement to conserve cash resources for any unforeseen contingencies or circumstances.
- d) Any other factors as the Board of Directors may consider appropriate.

### **PARAMETERS FOR VARIOUS CLASSES OF SHARES**

The Bank does not have any other class of shares other than equity shares. Therefore, the entire distributable profit for the purpose of declaration of dividend will be considered for the equity shareholders based on their shareholding on the record date.

## **GENERAL PRINCIPLES OF THE BANK REGARDING DISTRIBUTION OF DIVIDEND**

The dividend for each year would be recommended by the Board within the aforesaid parameters. On declaration of dividend at the Annual General Meeting, as per Regulation 12 of the SEBI 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.

### **REVIEW OF POLICY**

The Board will review this policy at annual intervals and when necessitated due to changes in laws, rules, and regulations.

### **DISCLOSURE OF POLICY**

The said Policy will be hosted on the website of the Bank and will also be disclosed in the Annual Report of the Bank.

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