

Dividend Distribution Policy

IDBI Bank Ltd (“the Bank”)’s Issued Capital comprises of only Equity Share capital on which dividend can be paid.

1. The Bank will aim to declare periodic dividend out of its distributable profits to ensure a regular dividend income and long term capital appreciation for the equity shareholders. Generally, the factors that may be considered by the Board before making any recommendations for the dividend include, but are not limited to, profits earned during the financial year, cost of raising funds from alternative sources, cash flow position and applicable taxes including tax on dividend.
2. The Bank shall comply with all the relevant provisions of the Banking Regulation Act 1949, Companies Act 2013, Rules made there under, SEBI Guidelines, RBI Guidelines, with respect to Dividend declaration, distribution, treatment of unpaid/ unclaimed dividend, etc. before declaration of dividend.
3. Dividend shall, in the normal course, be declared at the time of adoption of accounts for a completed financial year at the Annual General Meeting by the Shareholders.
4. The Bank’s Board of Directors may, however, declare an interim dividend under exceptional circumstances. Illustrative (but not limiting) circumstances are given below:
 - a. Significantly higher profits or gains during the year;
 - b. Any contemplated mergers or acquisitions or restructuring that are likely to be concluded in the course of the financial year;
 - c. Significant capital issuances or capital restructuring that are anticipated to occur in the financial year;
 - d. The financial year is extended beyond twelve months due to any reason, etc.
5. While declaring an interim dividend, the Bank’s Board shall consider the anticipated financial position for the relevant financial year as a whole and assure itself that, if the interim dividend so declared were the final dividend, all the requirements of this policy would be satisfied.

6. The power to declare interim dividend shall vest with the Board of Directors. The power to declare final dividend shall vest with the shareholders at the Annual General Meeting, based on the recommendation of the Board of Directors.

7. Perpetual Bonds issued by the Bank (if any) which are in compliance with the RBI Master Circular on Basel III Capital regulations as amended from time to time. (i.e., Bonds that do not have a redemption obligation) are eligible for inclusion in "Additional Tier I Capital" that is required to be maintained by the Bank for the purpose of meeting the Capital Adequacy norms of Reserve Bank of India ("RBI"). The Disclosure document and the Term Sheet of the Basel III Compliant Additional Tier I Bonds incorporates clauses regarding "Coupon Limitation" and "Dividend Stopper". In the event of the Bank declaring a loss, the coupon on such Bonds, for the relevant financial period, is payable only with the prior permission of RBI. One of the factors taken into consideration by RBI before granting such permission is the level of revenue reserves that the Bank holds and whether they are adequate to cover the amount of coupon to be paid. The Bank shall endeavour to maintain an adequate level of revenue reserves, adequate to cover amount of coupon on preferential bonds for this purpose and shall ensure that the sufficient surplus is available after declaration of dividend to meet this objective. Further, in the event that the Bondholders are not paid interest at the Coupon Rate, there shall be no payment of discretionary dividend on equity shares until the coupon payments to the Bondholders are made in accordance with terms hereof.

8. **Eligibility criteria for declaration of dividend as per RBI norms/Others:**

a. The Bank should have:

- CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend;
- Net NPA less than 7%.

b. In case the Bank does not meet the above CRAR norm, but is having CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it may declare dividend provided the Bank's Net NPA ratio is less than 5%.

c. The Bank should be in

- (i) Compliance with the provisions of Section 15 (relating to Restrictions as to payment of dividend) and Section 17 of the Banking Regulation Act, 1949 (relating to Reserve Fund)
 - (ii) 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, etc.
 - (iii) Compliance of section 123 of Company Act.
 - (iv) Basel-III framework for distribution of dividend, in case the capital level of banks falls within the stipulated range as prescribed by the capital buffers framework (i.e. capital conservation and countercyclical buffers etc.)
- d. The proposed dividend is to be paid only out of the Current year's profit.
- e. No explicit restrictions on the Bank for declaration of dividends have been placed by Reserve Bank of India.

9. Quantum of Dividend Payable

If the eligibility criteria, set out in the earlier paragraph, are fulfilled, the Bank may declare and pay dividends, subject to the following:

The dividend payout ratio shall not exceed 40% and shall be as per the matrix furnished as amended/ modified or substituted by RBI from time to time; dividend payout ratio prescribed as indicated below.

Category	CRAR	Net NPA Ratio			
		Zero	More than zero but less than 3%	From 3% to less than 5%	From 5% to less than 7%
		Range of Dividend Payout Ratio (%)			
A	11%* or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10%* or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9%* or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9%* or more in the Current year	Up to 10		Up to 5	NIL

**as mandated by RBI from time to time*

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

- a. In case the profit for the relevant period includes any exceptional/extra-ordinary profits/income, the payout ratio shall be computed after excluding such exceptional/extra-ordinary items for reckoning compliance with the prudential payout ratio.
- b. The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during the year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

10. **Factors to be taken into account while declaring dividend**

The interests of all stakeholders and the following aspects shall be taken into account while deciding on the proposals for declaring dividend:

- a. The interim dividend paid, if any;
- b. The Risk Based Supervision findings of Reserve bank of India with regard to divergence in identification of NPAs, shortfall in provisioning
- c. Basel III capital requirements;
- d. The auditors' qualification pertaining to the statement of accounts;
- e. Growth plans of the Bank and expected availability of capital
- f. Anticipated investments in Subsidiaries and Associates
- g. Anticipated Regulatory changes with respect to Capital Adequacy and other prescriptions.
- h. Prevailing industrial/ economic environment and its expected impact on Bank's performance and capital position.
- i. The interest of all the stakeholders shall be taken into account while deciding on the proposals for declaring dividend.

11. The Bank shall comply with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendments) Regulations, 2016 as amended/ modified or substituted from time to time.

12. In the event of a conflict between the Policy and the Regulatory Guidelines, the Regulatory Guidelines will prevail.

13. The Bank shall update the Dividend Distribution Policy on its website as and when any change is made in the policy.

14. The policy will be modified in accordance with the guidelines / clarifications as may be issued from time to time by any relevant statutory and regulatory authority. The Board may modify, add, delete or amend any of the provisions of this policy. Any exceptions to the Dividend Distribution Policy must be consistent with applicable regulations and must be approved in the manner decided by the Board of Directors. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended. The Policy shall be reviewed annually or as and when regulatory changes take place.

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