



DIVIDEND DISTRIBUTION POLICY

I. NEED AND OBJECTIVE OF THE POLICY:

Securities and Exchange Board of India (SEBI) has, on July 08, 2016, notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016. Vide these Regulations, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {SEBI (LODR) Regulations}, which requires the top five hundred listed entities based on market capitalization, calculated as on March 31 of every financial year, to formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites. This will enable the investors to take informed decision while making investments in these high profile companies.

In terms of Regulation 43A of SEBI (LODR) Regulations, it is mandatory for the Bank to frame the Dividend Distribution Policy, as it falls within the top 500 listed entities as on March 31, 2016 in terms of market capitalization. As on 31st March 2016; Bank is ranked at 433 under Top 500 listed entities in the list of Market Capitalization, as provided by NSE. Accordingly, the Board is required to frame, approve and adopt a 'Dividend Distribution Policy'.

Our Bank, being constituted under the provisions of Banking Companies (Acquisitions and Transfer of Undertakings) Act, 1970, is following the guidelines of Reserve Bank of India (RBI) and Government of India (GoI) in respect of dividend.

II. DEFINITIONS:

a. Dividend	Dividend includes interim dividend. In common parlance, 'Dividend' means the profit of the Bank, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid up on the shares held by them.
b. CRAR	It is the ratio of the Bank's capital to its risk weighted assets.
c. Dividend Payout ratio	'Dividend payout ratio' is calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.
d. Board	"Board" means Board of Directors of the Bank constituted in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.



III. Policy:

1. The Policy will be called as 'Dena Bank Dividend Distribution Policy'.

2. General Principles of the Bank regarding distribution of dividend:

The intent of the Bank is to reward the shareholders of the Bank by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for growth of the Bank. The dividend for each year would be recommended by the Board at its discretion within the set guidelines of Government of India and Reserve Bank of India and after taking into account the financial performance of the Bank, its future plans, internal and external factors, statutory restrictions, etc., for declaration by the shareholders in General Meeting. The Board may also declare interim dividend at its discretion.

3. Eligibility Criteria for declaration of dividend:

As per the guidelines dated May 04, 2005; issued by Reserve Bank of India, Bank will be eligible to declare dividends only when it complies with the following minimum prudential requirements:

- i. The proposed dividend should be payable out of the current year's Net profit.
- ii. 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%.

In case the Bank does not meet the above CRAR norm, but is having a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA is less than 5%.

- iii. The Bank shall comply with the provisions of Sections 15 and Section 17 of the Banking Regulation Act, 1949.
- iv. The Bank shall comply 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.
- v. The Reserve Bank of India should not have placed any explicit restrictions on the Bank for declaration of dividends.

[In case of non-payment of interest on Basel-III Compliant bonds or non-achievement of the Basel-III CRAR ratios including CCB, RBI puts restrictions on the dividend in their master circular issued for this purpose.]



The Bank may not declare dividend for a particular year in case it does not meet any of the above eligibility Criteria.

4. Quantum of dividend payable:

A. RBI guidelines: The Bank, if it fulfills the eligibility criteria set out at paragraph No.3 above, may declare and pay dividends subject to the following:

- i. The dividend payout ratio shall not exceed 40% and shall be as per the matrix furnished in Annexure I.
[Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.]
- ii. In case the profit for the relevant period includes any extra-ordinary profits / income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio.
- iii. 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 that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

B. Government of India guidelines:

As per extant guidelines, the Bank is required to pay a minimum dividend of 20% of its equity (i.e. paid up capital) or 20% of its post –tax profits, whichever is higher.

C. The Bank shall follow the more stringent guidelines issued by the Reserve Bank of India / Government of India.

5. Internal and External Factors:

The dividend payout decision of the Bank will also depend on certain external factors such as the state of the economy of the country, statutory and regulatory provisions, tax regulations including the treatment of deferred tax assets etc., as may be applicable at the time of declaration of the dividend. Apart from the aforesaid external factors, Board will also take into account various internal factors, such as the bank's long term growth plans, future capital requirements, replacement of capital assets, the interim dividend paid, the Annual Financial Inspection findings of the Reserve Bank with regard to divergence in identification of NPAs, shortfall in provisioning, the auditors' qualifications pertaining to the statement of accounts, etc. The decision of the Board regarding dividend shall be final.



6. Utilisation of Retained Earnings:

The retained earnings will mainly be utilized for the purpose of the Bank's growth plans, improvement in CRAR and such other purposes as per the guidelines issued by RBI and Government of India from time to time.

7. Provisions with regard to various classes of shares:

The Bank currently has only one class of shares, namely Equity Shares. In case of issuance of any other class of shares in future, the parameters shall be decided suitably by the Bank at appropriate time. However, Bank shall follow the guidelines as applicable for preference shares, if raised.

8. Manner of Payment of dividend:

As per Regulation 12 of SEBI (LODR) 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' warrants or Demand drafts will be issued to the eligible shareholders.

9. Disclosure and Reporting:

- a) The Policy will be disclosed on the website of the Bank and a web link shall be provided in the Annual Report.
- b) The Bank shall report the details of dividend declared during the accounting year to RBI as per the proforma (Annexure II) and timeline specified by RBI (currently within a fortnight after declaration of dividend).
- c) The Bank shall declare and disclose the dividend on per share basis only as specified under SEBI (LODR) Regulations.

10. Tenure

This Policy will be in force till the time it is not amended or revoked by the Board. Board of the Bank shall be the competent authority to revise or amend or modify or annul any or all of the provisions contained in this Policy at any time or from time to time.

In the event of receipt of any regulatory guidelines / instructions, such guidelines / instructions will be deemed to be part of the Policy.

On review, all such changes shall be incorporated in the Policy document and put up before the Board.

In emergent situations, subject to ratification by the Board, Chairman & Managing Director, or in his absence, Executive Director/s will be the competent authority to effect necessary changes in this Policy.

=====



Annexure I

Matrix of Criteria for maximum permissible range of Dividend Payout Ratio

(As per RBI Circular No. RBI/2004-05/451; DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 04, 2005)

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

Annexure II

Reporting Format to RBI

Detail of dividend declared during the financial year ended _____

Name of the Bank: Dena Bank

Accounting Period*	Net Profit for the accounting period (Rs. in cr)	Rate of dividend (Rs. per share and %)	Amount of dividend (excluding dividend tax) (Rs. in cr)	Pay out Ratio
1	2	3	4	5

* Quarter or half year or year ended, as the case may be