DIVIDEND DISTRIBUTION POLICY

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I. 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.

II. POLICY:

1. **The Policy will be called as 'Central Bank of India Dividend Distribution Policy.'**

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

   Thrust of the Corporate Governance of the Bank is to enhance shareholders' value by pursuing ethical practices in the conduct of its business and maintaining high standard of disclosure and transparency. The Bank has adopted best practices, and standards of governance are monitored by various Committees of the Board. The Board, the Executives and other functionaries have distinctly demarcated roles in achieving the Corporate goals – improved performance and enhanced shareholders' value. The dividend for each year would be recommended by the Board at its discretion as per the Policy guidelines, 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.

III. ELIGIBILITY CRITERIA FOR DECLARATION OF DIVIDEND:

As per Circular No. DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 04, 2005 of the RBI, as amended the Bank should ensure the following for declaration of dividend:

i. 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%.

ii. The Bank shall comply with the provisions of Sections 15 and Section 17 of the Banking Regulation Act, 1949.

Section 15 – Restriction as to payment to Dividend: - No banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

Notwithstanding anything to the contrary contained in sub- section (1) or in the Companies Act, 1956 (1 of 1956), a banking company may pay dividends on its shares without writing off

a) The depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalized or otherwise accounted for as a loss;
b) the depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;
c) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.

Section 17 – Reserve Fund:- Every banking company incorporated in India shall create a reserve fund and shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under section 29 and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than twenty percent of such profit.

Notwithstanding anything contained in sub-section (1), the Central Government may, on the recommendation of the Reserve Bank and having regard to the adequacy of the paid-up capital and reserves of a banking company in relation to its deposit liabilities, declare by order in writing that the provisions of sub-section (1) shall not apply to the banking company for such period as may be specified in the order:

Provided that no such order shall be made unless, at the time it is made, the amount in the reserve fund under sub-section (1), together with the amount in the share premium account is not less than the paid-up capital of the banking company.

(2) Where a banking company appropriates any sum or sums from the reserve fund or the share premium account, it shall, within twenty-one days from the date of such appropriation, report the fact to the Reserve Bank, explaining the circumstances relating to such appropriation: Provided that the Reserve Bank may, in any particular case, extend the said period of twenty-one days by such period as it thinks fit or condone any delay in the making of such report.

iii. 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.

iv. The proposed dividend should be payable out of the current year's Net Profit.

The Reserve Bank of India should not have placed any explicit restrictions on the Bank for declaration of dividends. Further, The Bank shall obtain prior approval of RBI before declaration of dividend, ***if required.***

IV. QUANTUM OF DIVIDEND PAYABLE :

A. In terms of Government of India guidelines, the Bank shall pay a minimum dividend of 20% of its equity (i.e. paid up capital) or 20% of its post –tax profits, whichever is higher. In case, Bank decides to pay interim dividend, the total dividend to be paid by the bank based on the annual results should be as per the guidelines. Further, any relaxation from the provisions of these instructions requires specific prior permission from the Government of India.

B. However in terms of the guidelines prescribed by Reserve Bank of India, the Bank, if it fulfills the eligibility criteria set out clause III above, may declare and pay dividends subject to the following:

a) The dividend payout ratio shall not exceed 40% and shall be as per the matrix furnished in Annexure.

b) In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extraordinary items for reckoning compliance with the prudential payout ratio.

c) 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.

d) 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.

V. 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 business growth plans, future capital requirements, replacement of capital assets, etc. The decision of the Board regarding dividend shall be final.

VI. 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.

VII. MANNER OF PAYMENT OF DIVIDEND:

As per Regulation 12 of SEBI (LODR) Regulations, 2015 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.

VIII. 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 and timeline specified by RBI.
c. The Bank shall declare and disclose the dividend on per share basis only as specified under SEBI (LODR) Regulations, 2015.

IX. TENURE:

This Policy will be in force till the time it is not amended or revoked by the Board. In the event of variance on any matters, between the Policy and Regulatory changes made after approval of the current policy, the Regulatory Changes will be effective till the Policy is amended in line with the these changes.

Annexure

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 <3%**	**From 3% to <5%**	**From 5% to <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	Upto 10		Up to 5	NIL