

**Name of the policy** : **Dividend Distribution Policy**  
**Commissioned by** : **Secretarial Department**  
**Approved by** : **Board of Directors**  
**Effective date** : **30<sup>th</sup> April 2025**

**VERSION CONTROL:**

Version	Date	Document by	Reviewed by	Remarks
1.0	22 <sup>nd</sup> July 2024	Mr. Sanath Kumar D Rao	Mrs. Lakshmi R N	New policy
2.0	30 <sup>th</sup> April 2025	Mr. Sanath Kumar D Rao	Mrs. Lakshmi R N	<p><b><u>Clause IV (a):</u></b> Provision related to explicit restriction has been included.</p> <p><b><u>Clause VI:</u></b> Clarity on taxation has been provided.</p> <p><b><u>Clause VII (f):</u></b> Inclusion of financial parameter before declaring dividend in compliance with RBI circular RBI/DOR/2024-25/135 DOR.STR.REC.72/21.04.048/2024-25 dated 29<sup>th</sup> March 2025.</p>

## **DIVIDEND DISTRIBUTION POLICY**

### **I. BACKGROUND:**

This policy has been formulated in compliance with the Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015. As per the said Regulation top 1000 listed entities based on market capitalization shall formulate a dividend distribution policy that shall be disclosed on the website of the listed entity and a web link shall also be provided in the Annual Report.

### **II. OBJECTIVE:**

The general objective of the policy is to lay down the criteria to be considered by the Board of Directors of Jana Small Finance Bank Limited ("Bank") before recommending dividend to its Shareholders for any financial year. The intent of / for distribution of profit by way dividend is to reward the Shareholders of the Bank by sharing a portion of the profits, at the same time also ensuring that sufficient funds are retained for growth of the Bank.

### **III. THE CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE LISTED ENTITIES MAY OR MAY NOT EXPECT DIVIDEND:**

The Board of the Bank may not recommend any dividend if the financial parameters as stated in para VII of this policy are not met. Further, the Board shall also consider any Regulatory restriction placed on the Bank regarding the declaration of dividend. In addition, if the Board strongly believes the need to conserve capital for growth of the Bank which is not detrimental to the interest of Shareholders of the Bank or any other exigencies as may be determined by the Board on a case to case basis.

### **IV. QUANTUM/ ELIGIBILITY FOR DECLARATION OF DIVIDEND:**

- a. The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.
- b. The dividend payout ratio shall not exceed 50 %. (*Dividend payout ratio calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.*)
- c. The Bank shall ensure compliance with minimum CRAR requirement applicable to Small Finance Banks for preceding two completed financial years and the accounting year for which it proposes to declare dividend.
- d. 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.
- e. 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.
- f. The net NPA of the Bank for the financial year shall be less than 7%.

### **V. MANNER OF PAYMENT OF DIVIDEND:**

As per Regulation 12 of SEBI (Listing Obligations and Disclosure Requirements) 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. Further, 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.

## VI. TAXATION:

In terms of the provisions of the Income-tax Act, 1961, dividend paid or distributed by a Company 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.

## VII. THE FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND:

- a. The dividend shall be subject to compliance with the circular issued by the Reserve Bank of India vide no. RBI/2004-05/451/DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated 04<sup>th</sup> May 2005 read with Section 15 and 17 of Banking Regulation Act, 1949.

The key financial parameters are as under:

- b. The Bank has met with the capital adequacy requirement as under:

Particulars	(In percent)
Common Equity Tier (CET) 1	6
Minimum Tier 1 capital	7.5
Internal capital buffer	1
<b>Minimum Total Capital (CRAR)</b>	<b>16</b>

- c. The net NPA of the Bank for the financial year shall be less than 7%.
- d. The proposed dividend shall only be paid out of current year's profits.
- e. The Bank has transferred to the reserve fund a sum as stipulated in Section 17 of Banking Regulation Act, 1949.
- f. The bank shall comply with the prevailing Regulations/ Guidelines issued by the Reserve Bank of India, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc.
- g. Any loan transferred to an Asset Reconstruction Company ("ARC") for a value higher than the net book value ("NBV"), and where the sale consideration comprises only of cash and security receipts ("SRs") guaranteed by the Government of India. An amount as provided below in sub clause (1) and (2) shall be deducted from the reserves of the Bank available for dividend:
1. The non-cash component in the ARC transaction in the form of SRs.
  2. Any unrealized gains recognized in the Profit and Loss Account on account of fair valuation of such investments.
- h. The Bank shall ensure necessary adjustments are made to net profit of the Bank in compliance with Section 15 of the Banking Regulation Act, 1949 which shall be as under:

Particulars		Amount in Rs.	Amount in Rs.
<b>Net profit for the year</b>	<b>(A)</b>		<b>XXX</b>
<b>LESS:</b>			
Capital expenditure		xxx	
Preliminary expenses		xxx	
Organisation expenses		xxx	
Share- selling commission		xxx	
Brokerage		xxx	
Amounts of losses incurred		xxx	
Any other item of expenditure not represented by tangible assets		xxx	
<b>sub- total</b>	<b>(B)</b>	<b>XXX</b>	

Particulars		Amount in Rs.	Amount in Rs.
<b>Total</b>	<b>(C)</b>		<b>(A) – (B)</b>
<b>ADD:</b>			
the depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss		xxx	
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 Bank		xxx	
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 Bank		xxx	
<b>sub- total</b>	<b>(D)</b>	<b>xxx</b>	
<b>Profit available for distribution as dividend</b>			<b>(C) + (D)</b>

**VIII. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND;**

The Board of Directors of the Bank shall consider the following parameters while declaring or recommending dividend to Shareholders:

Internal factors:

- Profits of the Bank for the financial year.
- Financial outlook for next five years.
- Capital adequacy requirement.
- Retained earnings.
- Capital expenditure outlook for next three years.
- Dividend payout trends.
- Cost of raising funds through alternate sources of capital.
- Corporate actions such as bonus/mergers/ acquisitions/ Investments in joint venture or subsidiary.
- Such other factors as the Board of the Bank deems fit.
- Interim dividend paid
- Annual Financial Inspection findings of the Reserve Bank with regard to divergence in identification of NPAs, shortfall in provisioning, etc.
- Auditors' qualifications pertaining to the statement of accounts
- Basel II capital requirements
- Bank's long term growth plans.

External factors:

- Macro-economic environment.
- Regulatory changes such restrictions on payment of dividend by the Regulator or tax implications on payment of dividend.
- Technological changes in the Banking environment which require significant investments.

**IX. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED:**

The Board may utilize the retained earnings in complying with the minimum capital adequacy ratios, bank's future business growth / expansion and strategic plans or such other purposes the Board may deem fit from time to time in the interest of the Bank and its Stakeholders.

**X. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

Currently the Bank has only equity shares and do not have any other class/ classes of shares. Accordingly, the entire distributable profit, if declared a dividend shall be for equity shareholders of the Bank as on the record date for the purpose as decided by the Board from time to time.

**XI. REPORTING OF DIVIDEND DECLARED BY THE BANK TO RESERVE BANK OF INDIA:**

In the event the Bank declares dividend during any financial year, the same shall be reported along with relevant details to Reserve Bank of India in the prescribed format within timeline specified by the regulatory time to time.

**XII. REVIEW OF POLICY:**

The Board may from time to time make necessary modifications to the policy, which shall be in line with the Regulatory changes. In any other case, the Board shall review the policy on an annual basis. Further, in case of any inconsistency with the existing statutory requirement and the policy, the statutory requirement shall prevail. However, if the inconsistency prescribed in the policy is stringent than the existing statutory requirement, then the details specified in this policy shall be considered.

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