Dividend Distribution Policy

Policy Approval Committee	
Recommending Body	Audit Committee of Board (ACB)
Approver	Board of Directors (Board)
Policy Owner	Company Secretary
Review Frequency	At least annually
Last amended/approved	May 8, 2026 (Board approval date)

Version No.	**Effective Date**	**Approved on**	**Summary of major Changes**
V 1.0	April 26, 2017	April 26, 2017	NA
V1.1	Jan 22, 2019	Jan 22, 2019	Annual Review and No major change
V1.2	July 30, 2019	July 30, 2019	**Inserted following two clauses and some minor provisions in line with SEBI (LODR) Regulations, 2015 and Circular issued by the SEBI on May 10, 2018:** 1. Circumstances under which shareholders may or may not expect dividend 2. Parameters for various classes of shares
V1.3	May 19, 2020	May 19, 2020	**Inserted following** 1. Dividend Policy Rational
V1.4	July 31, 2020	July 31, 2020	**Annual Review** and **Disclosure & Reporting System** 1. Added timeline of reporting to RBI
V1.5	August 06, 2021	August 06, 2021	**Annual Review** 1. Added Financial Parameters and Unpaid Dividend Account
V1.6	June 08, 2022	June 08, 2022	Annual Review and following changes are made to the policy. 1. The policy to be reviewed by the Board. **2.** Changes as per RBI Financial Statements – Presentations and Disclosures Directions, 2021 and RBI Circular - Declaration of Dividends by Banks dated April 22, 2021 are incorporated.

V1.7	May 11, 2023	May 11, 2023	**Annual Review**
V1.8	March 23, 2024	March 23, 2024	**Annual Review**
V1.9	March 24, 2025	March 24, 2025	**Annual Review**
V1.10	January 22, 2026	January 22, 2026	**Changes pursuant to the Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividends) Directions, 2025** RBI/DOR/2025-26/199 DOR.ACC.REC.118/21-02-067/2025-26 dated November 28, 2025 and other enhancements
V1.11	May 8, 2026	May 8, 2026	**Changes pursuant to the Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividends) Repeal Directions, 2026 dated March 10, 2026**

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DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE

The Bank has formulated the Dividend Distribution Policy (“Policy”) in compliance with the provisions of Companies Act, 2013 (“Act”) and Rules made thereunder, provisions of Banking Regulation Act, 1949, **Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividends) Repeal Directions, 2026 dated March 10, 2026 (hereinafter referred to as RBI Directions on Dividend)**, any other applicable Guidelines/circulars issued by the RBI and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) amended from time to time.

2. PURPOSE AND OBJECTIVE

The objective of the Policy is to appropriately reward shareholders through dividends for reposing their confidence in Bank while retaining the capital required for supporting future growth.

Capital is one of the most essential drivers of growth, and in order to take care of expanded business as well as to meet requirements in light of Basel III Guidelines, it is always felt desirable to conserve the capital by placing a cap on Dividend Payouts and develop a Policy on declaration of Dividend accordingly. Capital-raising is an intensive activity involving significant managerial bandwidth as well as considerable costs; a higher Dividend payout would lead to more frequent capital-raising. Keeping in mind interest of the small shareholders, who prefer Dividend cash flows as well as plough-back of capital for the purpose of business, it is appropriate to link declaration of Dividend to total payout rather than rate of Dividend.

The Bank shall consider and comply with the policy while declaring any dividend on equity shares issued by the Bank.

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

The Bank shall pay dividend on equity shares only after ensuring compliance with the Act, Banking Regulation Act, 1949 and Guidelines/circulars issued by RBI, SEBI Listing Regulations and Secretarial Standard-3 issued by the Institute of Company Secretaries of India.

3. DEFINITIONS

a. **‘Adjusted Profit After Tax (PAT)’** means PAT of the financial year for which the dividend is proposed to be paid minus 50 per cent of Net NPA as on March 31 of the financial year for which the dividend is to be paid

b. **Bank:** Bank means Ujjivan Small Finance Bank Limited

c. **Board:** Board means Board of Directors of the Bank

d. **CRAR:** means Capital to Risk Weighted Assets Ratio calculated in terms of Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

e. **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. As per RBI Directions on Dividend, ‘Dividend’ means dividend payable on equity shares and includes interim dividend but excludes dividend on Perpetual Non-Cumulative Preference Shares (PNCPS).

f. **Dividend Payout Ratio:** ‘means the ratio between the amount of the dividend payable on equity shares (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

g. **Extra-ordinary Profits / Income** shall have the same meaning as defined under applicable accounting standards

h. **Net Non-Performing Asset (NNPA)** ratio means ratio of NNPA to net advances

4. PRINCIPLES FOR DIVIDEND DECLARATION

The Board of the Bank shall consider the interests of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

(a) Internal Factors:

1. Profits earned during the financial year
2. Past dividend trends
3. Interim dividend paid, if any
4. Present and projected CRAR; minimum regulatory capital requirement as outlined under the RBI (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025
5. The divergence in asset classification and provisioning for Non-Performing Assets (NPAs), including its trend, as observed under supervisory findings of the RBI.
6. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year in which the dividend is proposed by the Bank
7. Bank's long term growth plans, current and projected capital position of the Bank vis-à-vis the applicable capital requirements, applicable capital buffers and the adequacy of provisions, considering the economic environment and the outlook for profitability.
8. Cost of raising funds from alternative sources
9. Reinvestment opportunities
10. Such other factors/ events that the Board may consider appropriate

(b) External Factors:

1. Shareholder expectations
2. Macro-economic environment
3. Such other factors/ events that the Board may consider appropriate

Equity shareholders shall be entitled to dividend:
- If recommended by the Board by way of an interim dividend
- If recommended by the Board by way of a final dividend subject to the approval of the Shareholders of the Bank

Presently, the Bank has issued only one class of equity shares. Hence the entire distributable profit shall be considered for declaration of dividend on equity shares.

5. ELIGIBILITY CRITERIA FOR DECLARATION OF DIVIDEND

The RBI has prescribed several conditions for declaration of dividend including those related to capital adequacy, non-performing assets, and provisions for various expenses. As per the RBI **Directions on Dividend**, the Bank shall be eligible to declare dividends only if it complies with the following minimum prudential requirements:

(1) The Bank was in compliance with the applicable regulatory capital requirement as at the end of the previous financial year and shall continue to be in compliance as at the end of the financial year during which the dividend is proposed to be paid.
(2) The regulatory capital of the Bank shall not fall below the applicable regulatory capital requirement even after the payment of dividend.

(3) The Bank shall have positive adjusted Profit After Tax (PAT) for the financial year for which the dividend is proposed.
(4) The bank shall not be under any explicit restrictions for declaration of dividends from the Reserve Bank or any other authority.

6. QUANTUM OF DIVIDEND PAYABLE QUANTUM OF DIVIDEND

The bank, if it fulfils the eligibility criteria as listed at Clause 5 above, may declare and pay dividends, subject to the following:

(i) The dividend payout ratio shall not exceed 75 per cent and shall be as per the matrix furnished below.

Table: Matrix of criteria for maximum permissible range of dividend payout ratio:

Table 1		
Bucket	**Tier 1 Capital Ratio as at the end of previous FY**	**Dividend allowed as a % of adjusted PAT for the period**
B1	Up to 7.5%	0
B2	Above 7.5% and up to 9.5%	20
B3	Above 9.5% and up to 11.5%	30
B4	Above 11.5% and up to 13.5%	40
B5	Above 13.5% and up to 15.5%	50
B6	Above 15.5% and up to 16.5%	60
B7	Above 16.5% and up to 17.5%	70
B8	Above 17.5% and up to 18.5%	80
B9	Above 18.5% and up to 19.5%	90
B10	Above 19.5%	100

7. Profits ineligible for payment of Dividend

The following profits shall not be available for payment of dividend:

Any exceptional and / or extra-ordinary profits / income of the Bank shall not be available for payment of dividend.

If the audit report by the statutory auditor contains a modified opinion that indicates an overstatement of the PAT, the same shall not be available for payment of dividend, to the extent it is included in PAT.

In terms of Reserve Bank of India (Small Finance Banks - Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, the Bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).

The prudential treatment of reversal of excess provision, dividend payment by the Bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the Reserve Bank of India (Small Finance Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

8. Income Tax on Dividend

In terms of the provisions of the Income-tax Act, 1961, dividend paid or distributed by the Bank is taxable in the hands of the shareholders. Accordingly, the Bank shall deduct tax at source at the time of payment of dividend to its shareholders as per applicable provisions.

9. Reporting System to RBI

The bank shall report the details of dividend declared during the financial year as per the proforma furnished in Annexure I within a fortnight after declaration of dividend to the Department of Regulation, Central Office, Reserve Bank of India.

10. MODE OF PAYMENT

As per Regulation 12 of SEBI Listing Regulations, the Bank shall 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 Rs. 1,500, the payable-at-par warrants or cheques shall be sent by speed post.

11. UTILIZATION OF RETAINED EARNINGS

The retained earnings of the Bank would be used across general corporate purposes and growth. The Board may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the Bank’s future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

12. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Board may not recommend any dividend if it fails to meet the eligibility criteria, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board believes conservation of capital is necessary for the long term growth of the Bank.

13. UNPAID DIVIDEND ACCOUNT

As per Section 124 of the Companies Act, 2013, the Bank shall transfer the unpaid/unclaimed dividend within 7 days of expiry of 30 days from the date of declaration of the dividend to a special account to be opened by the Bank in that behalf in any scheduled bank to be called as the Unpaid Dividend Account and further transfer the said unpaid/unclaimed dividend to the Fund, as specified under Section 125 of the Companies Act, 2013, after the expiry of a period of 7 years from the date of such transfer to the Unpaid Dividend Account, as specified under Section 125 of the Companies Act, 2013.

14. REVIEW AND REVISION

ACB should review the policy on an annual basis and recommend to the Board for their review and approval. In case of any amendments solely as a result of regulatory updation, the Company Secretary of the Bank under intimation and confirmation from the Compliance team of the Bank, may make amendments in the existing policy at any time during the year, if required and place the updated policy to the ACB and the Board for record purposes.

15. DISCLOSURE

The Policy shall be disclosed on the website of the Bank and a web link shall be provided in the Annual Report.

Information on dividend paid in last five years including dividend yield and payout ratio will be made available on the website of the Bank.

The Bank shall, within a period of 90 days of making any transfer of an amount to the Unpaid Dividend Account, place on the website a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and also on any other website approved by the Central Government for this purpose.

Annexure -1: Reporting format for Banks declaring dividends

Details of dividend declared during the financial year beginning on April 1, 20__

Name of the Bank: Ujjivan Small Finance Bank Limited

Accounting Period *	Net profit for the accounting period (₹)	Net profit for determining the Dividend Payout Ratio (₹)	Rate of Dividend (per cent)	Amount Of dividend (₹)	Dividend Pay out Ratio (per cent)

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