

**Dividend Distribution Policy**

<b>Policy Approval Committee</b>	
Recommending Body	Audit Committee of Board (ACB)
Approver	Board of Directors (Board)
Policy Owner	Company Secretary
Review Frequency	At least annually
Last amended/approved	January 22, 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) Directions, 2025** dated November 28, 2025, 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. **Bank:** Bank means Ujjivan Small Finance Bank Limited
- b. **Board:** Board means Board of Directors of the Bank
- c. **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.
- d. **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.
- e. **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.
- f. **Extra-ordinary Profits / Income** shall have the same meaning as defined under applicable accounting standards
- g. **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. RBI findings regarding divergence in identification of NPAs, shortfall in provisioning, etc., during inspection for supervisory evaluation.
6. Auditors' qualification, if any, pertaining to the statement of accounts
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 (Small Finance Banks – Prudential Norms on Declaration of Dividends) Directions, 2025, the Bank shall be eligible to declare dividends only if it complies with the following minimum prudential requirements:

- (i) CRAR of the bank shall be at least 9% (nine percent) for preceding two completed financial years and the financial year for which it proposes to declare dividend.
- (ii) NNPA ratio shall be less than 7% (seven per cent) for the financial year for which the bank proposes to declare dividend.
- (iii) In case the Bank does not meet the CRAR norm, specified at point (i) above, but is having CRAR of at least 9% (nine per cent) for the financial year for which it proposes to declare dividend, it shall be eligible to declare dividend provided its NNPA ratio is less than 5% (five per cent).
- (iv) The bank shall comply with the provisions of sections 15 and 17 of the BR Act, 1949 (stated below).

- (v) The bank shall comply with the prevailing regulations / guidelines issued by the Reserve Bank, including minimum regulatory capital requirement, creating adequate provisions for impairment of assets and staff retirement benefits, and transfer of profits to Statutory Reserves.
- (vi) The proposed dividend shall be payable out of the current financial year's net profit only; and
- (vii) The Reserve Bank should not have placed any explicit restrictions on the Bank for declaration of dividends.

**If the Bank does not meet the above eligibility criteria, it shall not seek any special dispensation from the RBI for declaration of dividend.**

#### **Section 15 of the BR Act, 1949**

- (1) No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation 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.
- (2) Notwithstanding anything to the contrary contained in the Companies Act, a banking company may pay dividends on its shares without writing off-
  - (i) 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.
  - (ii) 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;
  - (iii) 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 of the BR Act, 1949**

##### **Reserve Fund**

(1) 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 25% (twenty percent) of such profit.

(1-A) 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.

#### **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:**

(iv) The dividend payout ratio shall not exceed 40 per cent and shall be as per the matrix furnished below.

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

Category	CRAR	NNPA 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

- (v) If the profit for the relevant period includes any extra-ordinary profits / income, the dividend payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio.
- (vi) The financial statements pertaining to the financial year for which a bank is declaring a dividend shall 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 shall be suitably adjusted while computing the dividend payout ratio.
- (vii) In terms of Reserve Bank of India (Small Finance Banks - Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, a bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).
- (viii) 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 Reserve Bank of India (Small Finance Banks –Transfer and Distribution of Credit Risk) Directions, 2025.
- (ix) Any application for a higher dividend payout ratio, than the one for which the bank qualifies as per above guidelines, will not be considered by the Reserve Bank.

## 7. 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.

## 8. 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.

## **9. 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.

## **10. 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.

## **11. 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.

## **12. 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.

## **13. 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.

## **14. 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**

<b>Accounting Period *</b>	<b>Net profit for The accounting period (Rs. in Crore)</b>	<b>Rate of dividend</b>	<b>Amount Of dividend (excluding dividend tax) (Rs. in Crore)</b>	<b>Pay out ratio</b>

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