1. DIVIDEND POLICY -

1.1. Introduction

1.1.1. Dividend policy has been an issue of interest in financial literature since Joint Stock Companies came into existence. Dividends are commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership. The Dividend policy connotes to the payout policy, which the management shall pursue in deciding the size and pattern of cash distribution to shareholders over time. Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. This goal can be achieved by giving the shareholders a "fair" payment on their investments.

1.1.2. The purpose of the Dividend Policy is to set guidelines for Bandhan Bank Ltd. (BBL) to decide how much it will pay out to shareholders in dividend. Dividend payout represents the Shareholders' Value delivered to shareholders because of management's ability to grow earnings, dividends and share price. In other words, shareholder value is the sum of all strategic decisions that affect the firm's ability to efficiently increase the amount of free cash flow over time.

1.2. Objectives:

1.2.1. BBL's dividends are generally declared and paid in the fiscal year following the year to which they relate. Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year or any extension thereof. The shareholders have the right to decrease but not to increase the dividend amount recommended by the board of directors.

1.2.2. While adopting this policy, BBL reiterates its commitment to its shareholders to maximize shareholders' value, which will be represented as Dividend Payout Ratio or the percentage of earnings paid to shareholders in dividends, calculated as:

= Yearly Dividend per share /Earnings per share

= Dividend/ Net Income

1.3. Declaration of dividend

1.3.1. Dividend shall be declared or paid only out of –

1.3.1.1. Current year's profit

- After providing for depreciation in accordance with the law, and
- After transferring to the reserves such amount of profit as may be prescribed

1.3.1.2. Profits for any previous financial year(s)

- After providing for depreciation in accordance with law, and
- Remaining undistributed

1.3.1.3. Both current year's profit and previous years' profits

1.3.2. Dividend when losses

1.3.2.1. Before declaring any dividend,

- The losses, if any, of any previous year(s) must be set off
- Against the profits of the company for the current year or previous years

1.3.3. Dividend out of reserves

1.3.3.1. If the Board decided to declare dividend out of reserves, then it shall follow the provisions of the Companies Act, 2013 and relevant Rules thereof.

1.4. Amount of dividend

1.4.1. The Board shall endeavor to maintain the average Dividend Payout Ratio (Dividend / Net Profit for the year) to the extent possible, subject to –

- Company's need for capital for growth
- Positive cash flow

1.4.2. The Dividend Payout Ratio shall be reviewed after every 5 years

1.5. Factors to be considered before declaring dividend:

1.5.1. Plough back of profits, i.e. future capital expenditure programme including

- New project
- Expansion of balance sheet

1.5.2. Likelihood of crystallization of contingent liabilities, if any

1.5.3. Contingency fund

1.5.4. Acquisition of brands / businesses

1.5.5. Sale of brands / businesses

1.6. Timing of dividend payout

1.6.1. Interim dividend

1.6.1.1. The Board shall declare interim dividend

1.6.1.2. Dividend calculation shall be based on review of profits earned during the current year to date

1.6.2. Final dividend

1.6.2.1. The Board shall recommend to members for approval

1.6.2.2. Dividend calculation shall be based on review of profits arrived at as per audited financial statements for the year