



DIVIDEND DISTRIBUTION POLICY

25/02/2025



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Document Control

Title	Dividend Distribution Policy	Version	5.0
Created By	Board Secretariat	Date of Origin	31-01-2018
Date of Last Review	15-03-2023	Due Date of Renewal	15-03-2025
Reviewed By	Audit Committee of Board	Date of Review	16-01-2025
Approved By	Board of Directors	Date of Approval	25-02-2025
Date of Next Review			25-02-2027
Frequency of Review			Biennial

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1. INTRODUCTION

This Dividend Distribution Policy (“**the Policy**”) is framed in compliance to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**the Listing Regulations**) as amended, read with relevant and applicable provisions of the Companies Act, 2013 (**the Act**), the Banking Regulation Act, 1949 and other applicable /regulatory Guidelines.

Securities Exchange Board of India (SEBI) has on 05.05.2021 notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021. Amended Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires that based on market capitalization (calculated as on March 31 of every financial year), top one thousand listed entities shall formulate a Dividend Distribution Policy. Other than said listed entities, other listed entities may also disclose their Dividend Distribution Policies on a voluntary basis. The Policy is required to be disclosed on the website of the listed entity and a web-link has to be provided in their annual reports.

2. OBJECTIVE

The objective of this policy is to provide a framework of criteria to be considered by the Board of Directors of the Bank before recommending dividend to the shareholders for a financial year.

It is at the discretion of the Board to recommend/approve dividend including declaration of interim dividend, if any, to be paid to its shareholders.

Dividend except interim dividend is declared in the Annual General Meeting of the shareholders based on the recommendation by the Board.

3. DEFINITIONS

‘Board’;	means Board of Directors of the Bank
‘CRAR’;	is the ratio of the Bank’s capital to its risk weighted assets.
‘Dividend’:	Dividend includes interim dividend. It 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.
‘Dividend Pay-out Ratio’	is calculated as a percentage of ‘dividend payable in a year’ (excluding dividend tax) to ‘net profit during the year’.
‘Interim Dividend’	means the Dividend declared by the Board of Directors in a meeting till holding of the AGM.

4. FINANCIAL PARAMETERS CONSIDERED FOR DECLARATION OF DIVIDEND

In line with the guidelines prescribed by Reserve Bank of India, the Bank shall consider the following financial parameters for declaration of Dividend.

- i. The Bank should have:

- Profit in the year under consideration.
 - Capital Adequacy Ratios (CRAR, CET-1, Tier-1) \geq Minimum Regulatory prescription during the Financial Year and previous two Financial Years.
 - Net NPA less than 4%.
 - Basel III Compliance.
 - Tier 1 Leverage ratio of \geq Regulatory Prescription.
- ii. The Bank shall comply with the provisions of Sections 15 (restricts a Banking Company from payment of dividends on its shares until all its capitalized expenses have been completely written off) and Section 17 (stipulates the transfer of specified portion of profit to statutory reserve fund) of the Banking Regulation Act, 1949.
- 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 shall be paid out of the Current year's profits (i.e. relevant accounting year profits) only.
- v. The Reserve Bank of India should not have placed any explicit restrictions on the Bank for the declaration of dividends.

The Bank shall not declare dividend for a particular year in case it does not meet any of the above eligibility criteria.

5. QUANTUM OF DIVIDEND PAYABLE

In the event, the eligibility criteria set out herein above are fulfilled, the Bank may declare and pay dividends, subject to the following:

- 1) The dividend pay-out ratio shall not exceed 40% and shall be as per the matrix furnished in Annexure 1 of RBI circular No. RBI /2004-05/451 DBOD. No. BP. BC.88/21.02.067/2004-05 dated 04.05.2005 or such other quantum as advised by RBI from time to time. The dividend payout ratio shall be calculated as a percentage of 'dividend payable' in a year (excluding dividend tax, if any) to the net profit during the year. The matrix criteria for the maximum permissible range of the Dividend Payout Ratio is as mentioned below.

Category	CRAR	Net NPA Ratio			
		Zero	More than Zero but less than 2%	From 2% to less than 3%	From 3% to less than 4%
A	15% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	14% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10

C	12.50% or more for each of the last 3 years	Up to 30	Up to 20	Up to 15	Up to 5
D	Regulatory minima for each of the last 3 years	Up to 15		Up to 10	Nil

- 2) In case the profit for the relevant period includes any extraordinary profit/income, the pay-out ratio shall be computed after excluding such extraordinary items for reckoning compliance with the prudential pay-out ratio.
- 3) 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 the year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend pay-out ratio.
- 4) Dividends declared if any, shall be subject to conditions prescribed in Section 123 of the Companies Act, 2013, the Companies (Declaration and Payment of Dividend) Rules, 2014, applicable provisions of Banking Regulation Act, 1949 and circulars/guidelines issued by regulators from time to time.
- 5) Interim Dividend: The Board of Directors may declare interim dividend during any financial year out of the relevant accounting period's profit without prior approval of RBI if they satisfy the minimum criteria prescribed and satisfy the other requirements prescribed above, and the cumulative interim dividend(s) are within the prudential cap on dividend payout ratio (viz. 40%) computed for the relevant accounting period. However, declaration and payment of interim dividends beyond this ceiling require RBI's prior approval.

6. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board will consider the following internal and external factors while making any recommendations for the dividend.

6.1 Internal factors:

- Financial performance of the Bank for the year for which dividend is recommended
- Any interim dividend paid.
- Internal capital planning framework/policy.
- Dividend payout trends {the dividend payout ratio will be calculated as a percentage of dividend (excluding dividend tax) recommended for the year to the net profit for that year}.
- Tax implications if any, on the distribution of dividends.
- Cost of raising funds from alternate sources of capital.
- Corporate actions including mergers/demergers, acquisitions and additional investments including expansion plans and investment in subsidiaries/associates of the Bank.
- Capitalization requirements of group companies (Subsidiaries/Associates).
- Phase in of Counter Cyclic Buffer (CCyB)

- Stress testing outcome
- Risk effect
- Auditor's qualification pertaining to the statement of accounts and/or divergences observed by RBI reducing the profits.
- Such other factors and/or material events that the Bank's Board may consider relevant.
- Age of the Company.
- Capitalisation of reserves.
- Future Requirements.
- Bank's long term growth plans.

6.2 External Factors:

- Regulatory requirements.
- Shareholder expectations including individual shareholders.
- Macro-economic environment.
- Nature and risk profile of bank and Industry.
- Global Economic Conditions.
- Industry Outlook.
- Force majeure/ Pandemic

7. UTILISATION OF RETAINED EARNINGS

The Bank will utilize its retained earnings in a manner which is beneficial to the long term growth of the Bank, its plans, interests, stakeholders, capital requirements, for the compliance of instructions / guidelines received from Reserve Bank of India/Government, and/or for such other purposes as the Board may deem fit and proper in the best interest of the Bank and its stakeholders at large from time to time.

8. PARAMETERS FOR VARIOUS CLASSES OF SHARES

At present, the Bank does not have any other class of shares except equity shares. In the absence of any other class of equity shares and/or equity shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders. However, Bank shall follow the guidelines as applicable for preference shares, if raised.

9. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

In exercise of the powers conferred on the Board by the Articles of Association of the Bank/Statutes, the Board may, if it is of the view that there is need to conserve the Capital, recommend a lower dividend or no dividend to shareholders, subject to the applicable laws/rules, regulations and guidelines. The Board may, if the capital and reserves position of the Bank supports the higher distribution of the dividend, recommend a higher dividend.

The Board of the Bank may change the percentage of dividend or may not recommend any dividend based on the capital and adequate availability of the distributable profits/ reserves position of the Bank.

10. MANNER OF PAYMENT OF DIVIDEND

As per Regulation 12 of Listing Regulations, the Bank shall use any of the electronic mode of payment facility approved by the Reserve Bank of India for the payment of 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. Further, where the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable-at-par' warrants or cheques shall be sent by speed post.

11. DISCLOSURES AND REPORTING


- a) The policy will be posted on the Company's website and the necessary disclosure about the Policy will also be made in the Annual Report of the Bank as per requirements of Listing Regulations and Companies Act 2013.
- b) Information on dividends paid in the preceding five years including dividend yield and pay-out ratio may be made available on the Bank's website/annual report.
- c) The Bank shall report the details of dividend declared during the accounting year to RBI as per the proforma and timeline specified by RBI.


12. OWNERSHIP & REVIEW OF THE POLICY

The ownership of this policy shall be with Board Secretariat Department. The periodicity of review of policy shall be **biennial review**. In the event of any amendment to the statutes/rules/regulatory guidelines applicable to the policy, same shall be deemed to be part of the policy from the effective date of the amendment. Such changes shall be incorporated in the policy immediately with the approval of MD & CEO and brought to the notice of Board and /or its relevant Committee (s), in the form of an information item, in the meeting that immediately follows. The responsibility for updating the policy shall be that of the owner Department.

Where a change in policy is necessitated by exigencies like developments in industry practice, market needs etc., same shall be placed before the Board and/or its relevant Committee(s) for review and approval, before they become a part of the policy.

Annexures



 **J&K Bank**
Serving To Empower

The Jammu and Kashmir Bank Limited
Corporate Headquarters, M. A. Road,
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www.jkbank.com, www.jkbank.net



May 04, 2005

All scheduled commercial banks
(except RRBs)

Dear Sir,

Declaration of dividends by banks

The policy approach adopted by the Reserve Bank with regard to payment of dividends by banks was reviewed in consultation with the Standing Technical Advisory Committee on Financial Regulation and the regulatory focus was shifted from the 'quantum of dividend' to the 'dividend payout ratio' in terms of our guidelines issued vide our circular DBOD. No. BC.80 / 21.02.67 / 2003-04 dated April 23, 2004. These guidelines permitted banks to declare dividends subject to a ceiling of 33.33% on the dividend payout ratio, without obtaining the prior approval of RBI, subject to the fulfilment of the laid down criteria.

2. On the basis of the experience gained, **it has been decided to grant general permission to banks to declare dividends**, subject to compliance with the guidelines laid down below:

3. Eligibility criteria for declaration of dividend

Only those banks, which comply with the following minimum prudential requirements, would be eligible to **declare** dividends:

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 any 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 ratio is less than 5%.

ii) The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.

- iii) The bank should 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 profit.
- v) The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

4. Quantum of dividend payable

Banks, which fulfil the eligibility criteria set out at paragraph 3 above, may declare and pay dividends, subject to the following:

- i) The dividend payout ratio shall not exceed 40 % and shall be as per the matrix furnished in Annex 1.
[Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.]
- ii) 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.
- iii) 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.
- iv) For 2004-05 if the Investment Fluctuation Reserve is less than 4% of securities included in the HFT & AFS categories, the dividendp ayou ratio shall be computed with respect to the Adjusted Net Profit.

[Adjusted Net Profit = Net Profit – ({4% of (HFT + AFS)} – IFR)]

The Reserve Bank will not entertain any application for a higher dividend payout ratio than the one for which the banks qualify.

5. Board Oversight

A copy of these guidelines may be placed before the Board at its next meeting. Banks' Boards should take into account the interests of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

- a) the interim dividend paid,
- b) the Annual Financial Inspection findings of the Reserve Bank with regard to divergence in identification of NPAs, shortfall in provisioning, etc.,
- c) the auditors' qualifications pertaining to the statement of accounts
- d) the Basel II capital requirements, and
- e) the bank's long term growth plans.

6. Reporting System

All banks declaring dividends should report details of dividend declared during the accounting year as per the proforma furnished in Annex 2. The report should be furnished within a fortnight after declaration of dividends.

7. General

The above guidelines will be applicable to the dividends declared for the accounting year ended March 31, 2005 onwards. In case any bank violates the above guidelines, the violation would be viewed very seriously and such violation would attract penal action under Section 46 of the Banking Regulation Act, 1949.

8. Please acknowledge receipt.

Yours faithfully,

(Anand Sinha)
Chief General Manager-in-Charge

ANNEX 1

Matrix of Criteria for maximum permissible range of Dividend Payout Ratio

Category	CRAR	Net NPA 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

Notes

1. Banks should have a **CRAR** of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend and **Net NPA less than** 7% to be eligible to declare dividends. In case any 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 ratio is less than 5%.

2. For 2004-05, if the Investment Fluctuation Reserve is less than 4 % of securities included in HFT & AFS categories, Dividend Payout Ratio will be computed with respect to the Adjusted Net Profit

$$\text{Adjusted Net Profit} = \text{Net Profit} - [\{4\% \text{ of (HFT+ AFS)}\} - \text{IFR}]$$

Illustrations

Bank	CRAR (%)			Net NPA ratio (%) as on March 31, 2005	Category	Maximum dividend payout ratio (%) for which the bank would qualify
	2004-05	2003-04	2002-03			
V	12	11	11	2.3	A	Up to 35
W	12	10	11	3.8	B	Up to 20
X	11	9	10	6.2	C	Up to 5
Y	9	8	10	4.2	D	Up to 5
Z	12	11	12	zero	A	Up to 40

Reporting format for banks declaring dividend

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

Name of the Bank – _____

Accounting period *	Net profit for the accounting period (Rs. in crore)	Rate of dividend	Amount of dividend (excluding dividend tax) (Rs. in Crore)	Pay out ratio
1	2	3	4	5

* quarter or half year or year ended ----- as the case may be