



DIVIDEND DISTRIBUTION POLICY

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Board Secretariat
Corporate Headquarters, M. A. Road,
Srinagar 190001, Kashmir, India.
Phone: +911942483775 / FAX: +911942481928
Email: board.sectt@jkbmail.com



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Table of Contents

S.No	Content	Page No
01	Introduction	04
02	Objective	04
03	Statutory and Regulatory Compliance	04
04	Definitions	05
05	Criteria to be considered before recommending dividend	05
06	Utilisation of retained earnings	06
07	Parameters for various classes of shares	06
08	Circumstances under which the shareholders may or may not expect dividend	06
09	Manner of Payment of dividend	06
10	Disclosure and Reporting	07
11	Ownership & Review of the Policy	07

1. INTRODUCTION

Jammu and Kashmir Bank Limited (“the Bank”) is a Government Company incorporated under the Companies Act and licensed as a Bank under the Banking Regulation Act, 1949.. Bank functions as a leading bank in the Union Territories of Jammu & Kashmir and Ladakh and is designated by Reserve Bank of India as its exclusive agent for carrying out banking business for the Government of Jammu & Kashmir and Ladakh The Bank has been paying equity share dividends in accordance with the guidelines of Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI), Companies Act, 2013 and Banking Regulation Act, 1949. The Bank has formulated this policy in compliance with Listing Regulations which was approved by the Board on January 31, 2018 for implementation in the Bank.

This policy documents the guidelines on payment of dividends and sets out the key considerations, which shall be considered by the Board of the Directors of the Bank for arriving at the dividend pay-out decision. The Board shall have the discretion to determine the percentage of dividend to be recommended based on the considerations laid out in this policy and other relevant developments.

2. OBJECTIVE

The objective of this policy is to lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to the shareholders for a financial year. The policy is framed in compliance to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, relevant and applicable provisions of Companies Act, 2013 and RBI Guidelines.

It is at the discretion of the Board to recommend dividend including interim dividend, if any, to be paid to its shareholders. Dividend except interim dividend are declared in Annual General Meeting of the shareholders based on the recommendation by the Board. The policy provides a framework of criteria and parameters for the same.

3. STATUTORY AND REGULATORY COMPLIANCE

The Bank shall declare dividend only after ensuring compliance with the Banking Regulation Act, 1949, regulatory guidelines on dividend declaration issued by the Reserve Bank of India (RBI) from time to time, provisions of the Companies Act, 2013 and rules made thereunder and the SEBI Regulations, as amended and to the extent applicable to Banking Companies. The Bank shall also comply with the applicable Secretarial Standard(s).

Securities Exchange Board of India (SEBI) has, on 05.05.2021 notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 Vide these Regulations, SEBI has amended Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the top 1000 listed entities based on market capitalization, calculated as on March 31 of every financial year, to formulate a Dividend Distribution Policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.

This will enable the investors to take informed decision while making investments in these high-profile companies.

Further, listed entities other than top 1000 listed entities based on market capitalisation may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

4. DEFINITIONS

'Board' means Board of Directors of the Bank.

'CRAR' it is the ratio of the Bank's capital to its risk weighted assets.

'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. It refers to dividend recommended by the Board and declared by members. It includes interim dividend.

'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 Annual General Meeting.

5. CRITERIA TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

Dividend decision, one of the important aspects of Bank's financial policy, is not an independent decision. Rather, it is a decision that is taken after considering the various related aspects and factors. The Board will consider the following internal and external factors (which may be financial or non-financial) before recommending dividend:

5.1 Statutory and Regulatory Compliance:

The Bank shall declare dividend only after ensuring compliance with the Regulatory requirements as contained at para 3.

5.2 Financial Parameters:

- 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 (including dividend tax) recommended for the year to the net profit for that year}
- Tax implications if any, on 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
- Such other factors and/or material events which the Bank's Board may consider relevant

5.3 Other Internal Factors:

- Age of the Company
- Capitalisation of reserves
- Future Requirements

5.4 Other External Factors:

- Regulatory requirements
- Shareholder expectations including individual shareholders
- Macro-economic environment
- Tax implications, if any, on distribution of dividends
- Nature and risk profile of bank and Industry

6. UTILISATION OF RETAINED EARNINGS

The Bank would utilize the retained earnings of the Bank in a manner which is beneficial to the interest of the Bank and its stakeholders, including, but not limited to ensuring maintenance of a desirable level of minimum capital adequacy ratios within the accepted norms, meeting the Bank's future business growth / expansion and strategic plans or such other purpose, the Board may deem fit from time to time in the best interest of the Bank and its stakeholders at large.

7. PARAMETERS FOR VARIOUS CLASSES OF SHARES

Currently, the Bank has only one class of equity shareholders. 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.

8. 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 rules and regulation. 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.

9. 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.

10. DISCLOSURES AND REPORTING

- a) In compliance to the Listing Regulations, 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.

11. OWNERSHIP & REVIEW OF THE POLICY

The policy shall be subject to annual review by the Board. The Board Secretariat shall be responsible for placing the review of the Policy before the Board. Approved revised Policy & Guidelines will remain in force till next review. In case of exigencies and to be in line with regulatory / statutory guidelines, the Managing Director is empowered to approve changes /modifications/ amendments/ relaxations/ exemptions, if any, required to be made in the policy and same will be placed before the Board for ratification.

Any guideline(s) issued by Regulator/s with regard to Dividend Distribution and / or any other matter dealt with by this Policy shall be deemed to be part & parcel of this policy for operational purpose with immediate effect.

Annexures Nil



J&K Bank
Serving To Empower

The Jammu and Kashmir Bank Limited
Corporate Headquarters, M. A. Road,
Srinagar 190001, Kashmir (J&K)
www.jkbank.com, www.jkbank.net

