DIVIDEND DISTRIBUTION POLICY

J&K Bank

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1. PREAMBLE

The Jammu and Kashmir Bank Limited (“the Bank”) is a Government Company incorporated under the Companies Act, 1913 and licensed as a Bank under the Banking Regulation Act, 1949. The Bank functions as a universal bank in the State of Jammu & Kashmir and as a specialized bank in the rest of the country. It is also designated as RBI’s agent for banking business, and carries out the banking business of the Central Government, besides collecting central taxes for CBDT. 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.

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 payout 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 OF POLICY

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 and Exchange Board of India (SEBI) has, on July 08, 2016, has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016. Vide these Regulations, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), which requires the top five hundred 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 in their annual reports and on their websites. This will enable the investors to take informed decision while making investments in these high-profile companies.

Further, listed entities other than top 500 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 Payout 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.

5. ELIGIBILITY CRITERIA FOR DECLARATION OF DIVIDEND:

The Bank shall declare the dividend in terms of RBI directions/guidelines on dividend distribution read with directions/guidelines issued by Ministry of Finance, if any

As per the Reserve Bank of India's guidelines vide letter No. DBOD.NO.BP.BC. 88/21.02.067/2004-05 dated May 04, 2005; Bank shall be eligible to declare dividends only when it complies with the following minimum prudential requirements-

I. The proposed dividend should be payable out of the current year's Net profit.
II. 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 the 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 is less than 5%.

III. The Bank should comply with the provisions of Section 15 and 17 of the Banking Regulation Act, 1949.

IV. 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.

V. The Reserve Bank of India should not have placed any explicit restrictions on the Bank for declaration of dividends.

6. CRITERIA TO BE CONSIDERED FOR 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:

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)
- 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

Other Internal Factors

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

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

7. 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.

8. 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

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 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.

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 the 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.

11. DISCLOSURES AND REPORTING:

a) Information on dividends paid in the preceding five years including dividend yield and payout ratio may be made available on the Bank's website/annual report.
b) The Bank shall report the details of dividend declared during the accounting year to RBI as per the proforma and timeline specified by RBI.

c) The Bank shall declare and disclose the dividend on per share basis only as specified under Listing Regulations.
d) The necessary disclosure about the Policy will also be made as per requirements of Listing Regulations and Companies Act 2013.

12. AMENDMENTS / MODIFICATIONS:

To the extent any change/amendment is required in terms of any applicable law or change in Listing Regulations, the applicable law or Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. Such amended Policy shall be placed before the Board for noting and necessary ratification.

13. CONFLICT IN POLICY:

In the event of conflict or inconsistency between the provisions of this policy and the provisions of the applicable laws and Listing Regulations, the Policy shall be construed and interpreted in consonance with the applicable laws and Listing Regulations and in the failure of such harmonic interpretation and construction, the regulatory provisions shall prevail.

14. REVIEW

This policy shall be reviewed annually, or earlier if material changes take place in the applicable regulations.