

**CITY UNION BANK LIMITED**  
**DIVIDEND DISTRIBUTION POLICY**  
(In terms of Regulation 43A of SEBI Listing Regulations 2015)  
(w.e.f. 01.04.2017)

## **DIVIDEND DISTRIBUTION POLICY**

### **1. Objective**

Securities and Exchange Board of India (SEBI) vide Gazette Notification dated 08<sup>th</sup> July 2016 has amended the SEBI Listing Regulations 2015 by inserting Regulation 43A. As per this regulation our bank is required to formulate a dividend distribution policy.

The objective of this Policy is to ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes. Towards this end, the Policy lays down parameters to be considered by the Board of Directors of the Bank including the RBI guidelines for declaration of Dividend from time to time.

### **2. Philosophy**

The Bank always believes in optimizing the shareholders wealth by offering them various corporate benefits from time to time after considering the working capital and reserve requirements subject to regulatory stipulations.

### **3. Effective Date**

The Policy will become applicable from the financial year ending 31<sup>st</sup> March 2017 onwards and the date of implementation of the policy will be from 01<sup>st</sup> April 2017.

### **4. Definitions**

Unless repugnant to the context:

“**Act**” shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.

“**Applicable Laws**” shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time, Banking Regulation Act 1949 and the rules made there under and such other act, rules or regulations including the guidelines issued by the Reserve Bank of India, which provides for the distribution of Dividend.

“**Bank or CUB** ” shall mean City Union Bank Limited.

“**Board**” or “**Board of Directors**” shall mean Board of Directors of the Bank.

“**Dividend**” shall mean Dividend as defined under Companies Act, 2013.

“**Policy or this Policy**” shall mean the Dividend Distribution Policy.

“**SEBI Regulations**” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

## **5. Interpretation**

In this Policy, unless the contrary intention appears words and expressions used and not defined in this Policy but defined in Companies Act, 2013 or rules made thereunder or Securities and Exchange Board of India Act, 1992 or regulations made thereunder or Depositories Act, 1996 shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

## **6. General Parameters for declaration of Dividend**

Dividend is declared at the Annual General Meeting of the Bank, based on the recommendation of the Board of Directors. Since the company being a Banking company being regulated by the Reserve Bank of India, the declaration of Dividend is subject to RBI directions vide its circular no.RBI/2004-05/451 DBOD. No. BP. BC. 88 / 21 .02067/2004-05 dt. 04.05.2005. The board may also declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.

In line with the philosophy stated above in Clause 2, the Board of Directors of the Bank shall consider the macroeconomic environment prevailing during the year and shareholder expectation with regard to declaration / recommendation of dividend.

### **Financial Parameters**

The Board shall invariably look into the following financial parameters by taking a decision on declaration / recommendation of dividend.

- a. Overall Financial performance for the year for which dividend is recommended;
- b. The Basel III capital requirements;
- c. Cash flow required to meet contingencies;
- d. Past Dividend Trends including interim dividend paid during the year, if any.

### **Other Parameters**

- a. Shareholders expectations
- b. Macro-economic environment

## **7. Regulatory Parameters**

- a. Eligibility criteria for declaring dividends:
  - The Bank should be in compliance with Section 15 (relating to restrictions as to payment of Dividend) and Section 17 (relating to creation of reserve fund) of the Banking Regulation Act 1949 including prevailing regulations / guidelines issued by RBI in this regard.
  - CRAR of atleast 9% for preceding two completed years and the accounting year for which it proposes to declare dividend;
  - Net NPA level of less than 7%
  - In case the Bank does not meet the above CRAR norm, but it is having CRAR of atleast 9% for the accounting year for which it proposes to declare dividend, it may still declare the dividend provided the Bank's Net NPA ratio is less than 5%.

- The proposed dividend should be paid out of the current year's profit only.

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

- b. On satisfying the eligibility criteria as specified above, the Bank shall pay dividends subject to following conditions:

- The dividend payout ratio shall not exceed 40% and shall be as per the matrix furnished below contained in the RBI circular no.RBI/2004-05/451 DBOD. No. BP. BC. 88 / 21 .02067/2004-05 dt. 04.05.2005; dividend payout ratio shall be computed as a percentage of dividend payable in a year (excluding dividend tax) to the net profit during the year;

**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

- In case the profits for the relevant period includes any extraordinary profits/ income, the payout ratio shall be computed after excluding such extraordinary items for reckoning compliance with prudential payout ratio;
- The financial statements pertaining to the financial year, for which the bank is declaring dividend, should be free of any qualifications by the statutory auditors, which have a adverse bearing on the profits during the year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

- c. Conditions stipulated under the Companies (Declaration and Payment of Dividend) Rules, 2014.

Rule 3 of the above mentioned Rules stipulates the following major conditions regarding declaration of dividend out of surplus in the case of adequacy or absence of profits in any year:

- The rate of dividend shall not exceed the average of the rates at which dividend was declared by the Bank in the three years immediately preceding that year;
- The total amount to be drawn from such accumulated profits shall not exceed one-tenth (1/10<sup>th</sup>) of the sum of its paid-up share capital and free reserves;
- The amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared;
- The balance of reserves after such withdrawal shall not fall below 15% of its paid-up share capital as appearing in the latest audited financial statements;

## **8. Parameters on various classes of shares**

Currently, the Bank does not have any other class of shares except equity shares. The entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders based on their shareholding on the record date fixed for the dividend entitlement.

## **9. Circumstances under which the shareholders may or may not expect Dividend**

The Bank may or may not declare dividend for a particular year in case it does not meet any of the eligibility conditions as contained under clause 6 above including any regulatory restrictions placed on the Bank.

## **10. Utilization of retained earnings**

The Bank shall utilize the retained earnings of the Bank in a manner most beneficial to all stakeholders and the banks overall growth.

## **11. Reporting**

The Bank shall report details of dividend declared during the accounting year to the Reserve Bank of India as per proforma furnished in Annexure I within a fortnight after declaration of dividend. Apart from this, other reporting matters, if any, under SEBI listing Regulations, Companies Act 2013, Banking Regulation Act 1949 and any other law shall also be complied with.

## **12. General**

The Bank shall update the Dividend Distribution Policy on its website as and when any change is made to it and also, the policy should form part of Annual Report.

This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Reserve Bank of India, Ministry of Corporate

Affairs, Securities Exchange Board of India or such other authority as may be authorized, from time to time, on the subject matter.

The Board of the Bank reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

**Date: 29.05.2017**

**Place: Chennai**

**Chairman**

## ANNEXURE I

### REPORTING FORMAT TO RBI

Details of Dividend declared during Financial Year ended

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Name of the Bank: City Union Bank Ltd.

<b>Accounting Period*</b>	<b>Net Profit for the accounting period (Rs. In Cr.)</b>	<b>Rate of Dividend (Rs. Per share and %)</b>	<b>Amount of dividend (excluding dividend tax) (Rs .in Cr.)</b>	<b>Pay out Ratio</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

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