बैंक ऑफ़ बड़ौदा
Bank of Baroda

DIVIDEND DISTRIBUTION POLICY

INDEX

Dividend Distribution Policy

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as SEBI (LODR) Regulations], the top 1000 listed entities based on market capitalization, calculated as on March 31 of every financial year are required 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 would enable the investors to take informed decisions while making investments in these high profile companies.

Our Bank is a Nationalized Bank constituted under the provisions of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and is also required to comply with the guidelines in respect of Dividend, issued by the Reserve Bank of India (RBI) and Government of India, which have been duly incorporated in the Policy.

Objective

Bank of Baroda's shareholders earn a return on their investment in the Bank's share capital in two ways:

(1) Capital appreciation resulting from increase in the share price, and

(2) Cash return in the form of a periodic dividend.

The Bank recognizes that its shareholders need periodic dividend to meet their liquidity needs. Also, payment of dividend is seen as a signal of the Bank's future prospects. The Bank endeavors to distribute surplus cash to its shareholders.

Normally, the Bank expects to pay dividend in profitable years. The decision on how much to distribute as dividend takes into consideration a number of factors including:

(a) The Bank's current and prospective financial performance,

(b) Capital adequacy requirements specified by Reserve Bank of India (RBI)

(c) The Bank's investment and expansion plans, and

(d) The expectations of its shareholder

Since the Bank has operations worldwide, its dividend decision is based on an assessment of domestic and international economic and financial conditions and regulatory requirements.

Eligibility Criteria for declaration of dividend:

Retained earnings are utilized to meet the Bank's capital requirements and finance its investment and expansion activities. Retained earnings also provide a cushion to tide over unexpected events. The Bank strives to balance the demands for investment with the shareholders' need for a fair cash return.

The RBI vide their Circular No. RBI/2004-05/451; DBOD.NO.BP.BC. 88 / 21.02.067 / 2004- 05 dated May 04, 2005 has laid down the following eligibility conditions, among others, for payment of dividend by the bank:

1) Dividend will be paid only out of current year's profit.

2) A bank should have:

   (a) capital-to-risk weighted assets ratio (CRAR) of at least 9% for preceding two completed years and the year for which it proposes to declare dividend

   Bank is required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement of 9%. Whenever the buffer falls below 2.5%, automatic constraints on discretionary distributions of earnings (for example, dividends, share buybacks and discretionary staff bonus payments) will be imposed so that the buffer/capital level can be replenished to minimum requirements.

   and

   (b) Net NPA (non-performing assets) of less than 7%.

   In case 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%.

3) The bank should comply with the provisions of Sections 15 (Restrictions on Payment of Dividend) and 17 (Transfer of part of profit, not less than 25%, to reserve fund before declaration of dividend) of the Banking Regulation Act,1949.[1]

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[1]***Section 15 - Restrictions as to payment of dividend***
"[(1)] No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.
[(2)] Notwithstanding anything to the contrary contained in sub-section (1) or in the Companies Act, 1956(1 of 1956), a banking company may pay dividends on its shares without writing off-
(i) the depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;
(ii) the depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;
(iii) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company."

Section 17 - Reserve Fund
"(1) Every banking company incorporated in India shall create a reserve fund and shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under section 29 and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than twenty percent of such profit."

In terms of RBI Master Direction on Financial Statements Presentation and Disclosures dated August 30, 2021 (Updated as on 11.10.2022), the intangible assets recognized and carried in the Balance Sheet of Banks in compliance with Accounting standard-26 shall attract the provisions of Section 15 (1) of Banking Regulation (BR) Act, 1949, in terms of which banks are prohibited from declaring any dividend until any expenditure not represented by tangible assets is carried in the balance sheet. Banks desirous of paying dividend while carrying any intangible assets in its books must seek exemption from section 15 (1) of the Banking Regulation Act, 1949 from the Central Government.

RBI circular no. BP.BC.24/21.04.018/2000-2001 dated 23.09.2000 read with RBI Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021 (Updated as on 11.10.2022), In order to augment capital, Commercial Banks (excluding LABs and RRBs) are required to transfer not less than 25 per cent of the 'net profit' before appropriations to the Statutory Reserve.

4) As per RBI Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 dated 25th August, 2021, the bank should appropriate for Investment Fluctuation Reserve (IFR) and Investment reserve from Net Profit for the year after mandatory appropriations.

5) Before dividend declaration, the bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets, staff retirement benefits, transfer of profits to Statutory Reserves, Investment Fluctuation Reserve (IFR), Investment Reserve, Special Reserves, Capital reserves and other appropriations from the current year profit.

6) The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

7) The declaration of dividend shall be further subject to any Directions or Communications issued by RBI/Government of India/Ministry of Finance from time to time.

8) The declaration of dividend is subject to any restriction imposed by RBI vide its Circular DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 dated 2nd November, 2021 on 'Prompt Corrective Action Framework" (PCA) for scheduled commercial banks'.

9) The dividend should be declared on per share basis only.

10) In the event of conflict between this policy and extant regulations, the regulations shall prevail.

Quantum of Dividend Payable:

A. RBI/ Govt of India Guidelines

A1. RBI Guidelines:

(a) The dividend payout ratio (i.e. the ratio of dividend to profit after tax) shall not exceed 40 per cent and shall be as per the matrix furnished herein below.

		Net NPA Ratio			
Category	CRAR	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

Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax, wherever applicable) to 'net profit during the year'.

(b) 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.

(c) 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.

A2. Government of India Guidelines

The Ministry of Finance, Govt. of India vide letter dated 18th January, 2013 has advised Bank to pay a minimum of 20% of paid up capital or 20% of Net Profit (whichever is higher) as dividend.

In case, Bank decides to pay interim dividend, the total dividend to be paid by the bank based on the annual results shall be as per the above guidelines. Further, any relaxation from the provisions of these instructions requires specific prior permission of the Ministry of Finance, Govt. of India.

The Ministry of Finance, Govt. of India vide letter dated 04th June, 2021 has clarified that the payment of minimum dividend is subject to regulatory guidelines issued by RBI and, therefore, specific prior permission shall be sought only if the dividend proposed to be paid is less than the minimum required under the guidelines as well as that permissible under regulatory guidelines/ instructions.

B. Interim Dividend

Bank may declare Interim Dividend based on profitability. In such case it will be adjusted while declaring final dividend and the total dividend to be paid by the Bank including interim dividend shall be subject to the limit (Maximum/Minimum) and other conditions as stipulated herein in this policy/RBI guidelines.

C. Internal and External Factors:

The dividend payout decision of the Bank will also depend on certain external factors such as the state of the economy of the country, statutory and regulatory provisions, tax regulations, as may be applicable at the time of declaration of the dividend. Apart from the aforesaid external factors, Board will also take into account various internal factors, such as business growth plans, future capital requirements, replacement of capital assets, interim dividend paid, auditor's qualifications pertaining to statement of accounts & annual financial inspection findings of the RBI with regard to divergence in identification of NPAs, shortfall in provisioning etc. The MD & CEO shall recommend the dividend payout to Board. The decision of the Board regarding proposal of dividend shall be final.

Circumstances under which the shareholders may or may not expect dividend

The distribution of dividend is subject to compliance of the following conditions, as applicable;

i) Profit in the year under consideration,
ii) CRAR>=11.50% (including CET 1 >=5.50%) (Minimum total capital ratio plus capital conservation buffer {9%+2.50%=11.50%} as per RBI Master Circular vide RBI/2022-23/12 DOR.CAP.REC3/21.06.201/2022-23 dated April 1, 2022)
iii) Net NPA less than 7% (5% for Category D as per RBI Payout Matrix)
iv) BASEL III Compliance
v) Tier 1 Leverage Coverage Ratio >3.50%

Utilization of Retained Earnings

The retailed earnings will be used for the Bank's long term growth plans, capital requirements or as per the decision of the bank's board, for the benefit of the bank and its stakeholders or for the compliance of instructions/guidelines received from RBI/ Government of India.

Dividend for Various class of Shares

At present, the bank has only one class of shares i.e. equity shares. In absence of varied class of shares, a single set of parameters has been prescribed for declaring/ distribution of dividend.

Manner of Payment of dividend:

As per Regulation 12 of SEBI (LODR) 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. If 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.

The Company Secretary Department in coordination with Corporate Accounts Department shall ensure the compliance of procedural aspects of distribution of Dividend.

Dividend shall be paid within 30 days from the date of declaration.

Validity:

This policy shall remain valid for three years from the date of approval. Guidelines received from RBI / SEBI/ Government of India and any other statutory bodies during the validity period of the policy will become part of the bank's existing guidelines and will be incorporated in the policy document at the time of its renewal.

The M.D.& CEO may allow continuation of the Policy for a maximum period of six months after the due date of review in case the Policy cannot be reviewed on or before the due date

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Annexure – 'Chapter on Compliance'

Following are the brief guidelines/requirements of the regulators/authorities for Dividend Distribution Policy:

SI No	Circular/Communication No	Subject
1	RBI Circular on 'Declaration of dividends by Banks' - Circular No.: DBOD.NO.BP.BC.88/21.02.067/2004-05 dated 04.05.2005 read with RBI Master Circular – Basel III Capital Regulations *(Circular No.: DBR.No.BP.BC.1/21.06.201/2015-16 dated 01.07.2015 as amended by Circular No.: DBR.BP.BC.No.20/21.06.201/2018-19 dated 10.01.2019, Circular No.: RBI / 2020-21/42 DOR.BP.BC.No15/21.06.201/2020-21 dated 29.09.2020 and Circular No.: RBI/2020-21/93 DOR. CAP. BC. No. 34/21.06.201/2020-21 dated 05.02.2021.)*	Declaration of Dividends by Banks
2	DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 dated November 02, 2021	Prompt Corrective Action (PCA) framework for scheduled commercial banks
3	RBI circular RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021- 22 dated August 30, 2021(updated as on 11.10.2022), as amended	Master Direction on Financial Statements - Presentation and Disclosures
4	Banking Regulation Act, 1949 [Section 15 (1) & (2) and Section 17]	Restriction as to payment of dividend and Mandatory appropriation of Reserve Fund.
5.	Regulation 43A of the SEBI (LODR) Regulations, 2015	Dividend Distribution Policy
6.	GOI Letter F. No. 10/3/2010-BOA dated 18th January, 2013 and GOI Letter F. No. 10/4/2021-BOA dated 4th June, 2021 and GOI Letter F. No. 7/7/2022-BOA1 dated 20th May, 2022	Declaration of dividend by Public Sector Banks
7.	Other relevant guidelines issued by RBI, SEBI and Government of India from time to time.	