

## **DIVIDEND POLICY**

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**SBI CARDS AND PAYMENT SERVICES LTD**

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### **BACKGROUND OF THE COMPANY:**

SBI Cards and Payment Services Limited ('The Company') is a non-deposit accepting systemically important non-banking financial company ('NBFC-ND-SI') registered with the Reserve Bank of India ('RBI'). The Company is engaged in issuing credit cards to consumers in India.

### **PURPOSE OF THE POLICY:**

The purpose of this policy is to describe the factors, timing and amount to be considered for Interim and Final dividend. Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, at its discretion, to be paid to shareholder. The Board may also declare interim dividends.

### **FACTORS TO BE CONSIDERED BEFORE DECLARING DIVIDEND:**

#### **a. Internal Factors:**

The Board shall consider the below mentioned financial parameters for the purpose of recommendation/declaration of dividend:

- i. Regulatory capital requirement projected for next two fiscals as per latest business plan
- ii. Future capital expenditure plans
- iii. Profits earned during the financial year
- iv. Cost of raising funds from alternate sources
- v. Cash flow position
- vi. Applicable taxes including tax on dividend.

#### **b. External Factors:**

The Board shall also consider the below mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

- i. Applicable laws and Regulations including taxation laws.
- ii. Economic conditions
- iii. Prevalent market practices

### **CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND:**

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out above. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cash flow available for distribution
- iv. In the event of inadequacy or absence of profits.

- v. Under any other circumstances as may be specified by the Companies Act, 2013 or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders

**MANNER OF UTILIZATION OF RETAINED EARNINGS:**

The Board of Directors of the Company may recommend/declare dividend out of the profits of the Company or out of the profits for any previous year or years or out of free reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated above. The Company shall ensure compliance with the requirements in this respect as laid down under the provisions of Section 123 of the Act and other applicable laws.

**OTHER FACTORS TO BE CONSIDERED WITH REGARD TO VARIOUS CLASSES OF SHARES:**

Since the company has only one class of equity shareholders, the dividend declared will be distributed equally among all the Shareholders, based on their shareholding on the record date.

**TIMING AND AMOUNT OF DIVIDEND (INTERIM & FINAL):**

Board may:

- a. Declare Interim Dividend based on review of profits earned during the current year.
- b. Recommend final dividend to shareholders for their approval based on review of profits arrived at as per audited financial statements.

The declaration of dividend will be after transferring twenty percent of its net profit as disclosed in the profit and loss account to statutory reserve as per Section 45 IC of RBI Act and other necessary statutory compliances.

The board may decide upon the amount of dividend (interim/final), however the projected CRAR & TIER I (calculated as per RBI guidelines) for next two fiscals post payout effect should at-least be 17% and 11% respectively.

**STATUTORY REQUIREMENTS:**

The Company shall comply with statutory requirements relating to declaration and payment of dividend. The dividend declaration/payout shall be within the specific and general prudential limits fixed by RBI and in conformity with the provisions of the NBFC guidelines, Companies Act 2013 and other applicable laws and guidelines that are issued by the regulators like Reserve Bank of India, Securities Exchange Board of India or any other such body from time to time and Article of Association of the company.

**POLICY REVIEW:**

The policy shall be reviewed by Board once in every year or at earlier intervals, if necessary. Consequent upon any changes in regulatory guidelines, such change shall be deemed to be a part of the policy until the policy is reviewed and approved next time.