



UNITED BANK OF INDIA
HEAD OFFICE
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Dividend Distribution Policy for our Bank

1. PREAMBLE

The Dividend Distribution Policy of the United Bank of India (hereinafter referred to as 'the Bank') is being framed as per Securities and Exchange Board of India's Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 8, 2016. The Bank being among the top 500 listed entities based on market capitalization is required to formulate the policy.

2. NAME

The Policy may be named as the **United Bank of India Dividend Distribution Policy** and shall come into effect from the date of adoption of the same by the Board of Directors of the Bank.

3. OBJECTIVE

The Bank, through this Policy would endeavor to maintain a consistent approach to dividend pay-out plans and to strike the right balance between the quantum of dividend paid and amount of profits retained in the business.

4. BASE DOCUMENTS

- a) The Banking Regulation Act 1949
- b) The Banking Companies (Acquisition & Transfer of Undertakings) Act 1970
- c) RBI Circular RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated 04.05.2005
- d) RBI Master Circular dated July 1, 2015
- e) Ministry of Finance Letter F.No.10/3/2010-BOA dated April 13, 2010
- f) Ministry of Finance Letter F.No.10/3/2010-BOA dated January 18, 2013
- g) SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015
- h) United Bank of India (Shares & Meetings) Regulation 2010
- i) Secretarial Standard – 3 issued by the Institute of Company Secretaries of India on Dividend

5. BACKGROUND

- a. Dividends are the pay-outs that organizations make to their shareholders as a return on their investments. It is one of the simplest ways for companies to communicate financial well-being and shareholder value. Dividends send a clear and powerful message about future prospects and performance of an organization.
- b. According to the generally accepted definition, “dividend” means the profit of an organization, which is not retained in the business and is distributed among its shareholders in proportion to the amount paid-up on the shares held by them. Dividend also includes any interim dividend.

6. GENERAL POLICY OF THE BANK AS REGARDS DIVIDEND

- a. Dividends are declared by the Bank as per the guidelines issued from time to time by Reserve Bank of India (RBI) and Government of India (GoI). The Board of Directors (hereinafter referred to as ‘the Board’) at its discretion, while approving the annual accounts in each financial year, may also recommend the dividend for approval of the shareholders after taking into account the free cash flow position, the profit earned during that year, the Capex requirements and applicable taxes.
- b. Dividend, other than dividend on cumulative preference shares issued by the Bank if any, not declared in any financial year shall not accrue for payment in subsequent financial year.
- c. The Board shall have the absolute discretion, subject to the Reserve Bank of India (RBI) guidelines and Ministry of Finance (MoF) Notification/Direction, if any, to declare interim dividend in between the Annual General Meetings.

7. ELIGIBILITY CRITERIA FOR DECLARATION OF DIVIDEND

- a) As per the RBI Circular RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated 04.05.2005 read with RBI Master Circular dated July 1, 2015, the Bank shall comply with the following minimum prudential requirements to be eligible to declare dividends:-
 - b) CET – 1 Ratio shall not be less than 6.125%.

- c) The Bank should have Capital to Risk weighted Assets Ratio (CRAR) of at least 10% for preceding two completed years and at least 10.25% for the accounting year for which it proposes to declare dividend
- d) The Bank shall be in compliance with the provisions of Section 15 (Restrictions as to payment of dividend) and Section 17 (transfer sum not less than 20% of profit to reserve fund) of the Banking Regulation Act, 1949, prior to distribution of dividend.
- e) The Bank shall be in compliance 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.
- f) The proposed dividend shall be payable out of the Current year's profit.
- g) There shall not be explicit restrictions imposed by RBI on the Bank for declaration of dividends.

8. QUANTUM OF DIVIDEND PAYABLE

- a) If the eligibility criteria are fulfilled, the Bank may declare and pay dividend, subject to the following ceilings –

CET-1 ratio after including current yr's retained earnings	Minimum Capital Conservation Ratios	Payment by way of dividend/bonus
5.5% - 6.125%	100%	Nil
6.125% - 6.75%	80%	20%
6.75% - 7.375%	60%	40%
7.375% - 8.0%	40%	60%
>8.0%	0%	100%

- b) In case the profit for the relevant period includes any extra-ordinary profits/income, the pay-out ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential pay-out ratio.
- c) The financial statements pertaining to the financial year for which the bank is declaring dividend should be free of any qualifications from 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.

- d) As per MoF Notification F. No. 10/3/2010 – BOA, Bank shall pay a minimum dividend of 20% of paid-up capital or 20% of post-tax profits, whichever is higher for a financial year. In case the Bank is not able to pay the minimum dividend, as stated above, the Bank shall seek special permission from the Central Government for not paying dividend or paying dividend at a rate lesser than the minimum rate prescribed.

9. FACTORS DETERMINING DECLARATION OF DIVIDEND

The decision regarding dividend pay-out is an important decision as it determines the amount to be distributed among the shareholders and the amount of profit to be retained in business. The interest of the Organization and all its stakeholders shall be taken into account, on the backdrop of following internal and external factors, while deliberating and deciding on the proposal on declaring dividends:-

a) EXTERNAL FACTORS

- i. STATE OF ECONOMY – in case of uncertain or recessionary economic and business conditions, Board will endeavor to retain larger portion of profits to build up reserves to absorb future shocks.
- ii. CAPITAL MARKETS – when the markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, Board may resort to a conservative dividend pay-out approach in order to conserve cash flows.
- iii. STATUTORY RESTRICTIONS – The decision on pay-out of dividend shall be in accordance with regulatory restrictions imposed, if any.

b) INTERNAL FACTORS

- i. Profits earned during the year
- ii. Interim dividend paid, if any
- iii. the Annual Financial Inspection findings by the Reserve Bank of India with regard to divergence in asset quality or provisioning etc.
- iv. the auditors' qualifications pertaining to the statement of accounts
- v. the Basel III capital requirements
- vi. Business growth plans of the Bank for 5 years
- vii. Replacement requirements of capital assets
- viii. Fresh Investments or Additional investments in subsidiaries/associates of the Bank
- ix. Any other factor as may be deemed fit by the Board

10. PARAMETERS FOR VARIOUS CLASSES OF SHARES

- a) The factors and parameters for declaration of dividend to different classes of shares shall be same as mentioned in Clause 9 above. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue and guidelines as applicable.
- b) Dividend on Equity shares shall be paid out of current year's profit only. Dividends are paid only after all legal and contractual obligations have been met and payments on senior capital instruments have been made. This means that there are no preferential distributions, including in respect of other elements classified as the highest quality issued capital.

11. DIVIDEND DISCRETION

- a) Dividend once declared becomes a debt to the Bank.
- b) The Bank shall have full discretion at all times to cancel distributions/payments.
- c) Cancellation of discretionary payments must not be an event of default.
- d) The Bank shall have full access to cancelled payments to meet obligations as they fall due.
- e) Cancellation of distribution/payments shall not impose restriction on the bank except in relation to distribution to shareholders.
- f) The instrument cannot have any credit sensitive coupon feature i.e. a dividend that is reset periodically based in whole or in part on the Bank's credit standing.

12. MANNER OF PAYMENT OF DIVIDEND

- a) Dividends shall be declared on a par share basis as a percentage of the face value of the shares.
- b) Stock Exchanges shall be notified at least 2 working days prior to the date of the meeting of the Board of Directors at which the recommendation of final dividend is to be considered, and shall be intimated within 30 minutes of the conclusion of the Board Meeting about the recommendation of dividend.
- c) The Board of Directors at its meeting shall recommend dividend, finalize the book closure/ record date, authorize opening of bank accounts, designate signatories for operating accounts/ issuing dividend warrants and engage such intermediaries as may be required in connection with the declaration and payment of Dividend.

- d) The dates of closure of the register of members and the share transfer register or the Record Date as the case shall be intimated to the Stock Exchanges at least 7 working days prior to the closure of register of members and share transfer book and published in an English newspaper having nationwide circulation and one Bengali newspaper.
- e) All share transfer requests received before the closure of the register of members/ Record Date shall be processed by the Registrar & Share Transfer Agent and approved by the Board/ Committee of the Board.
- f) The declaration of dividend shall be placed at the Annual General Meetings as an ordinary business agenda and approved by simple majority (ordinary resolution).
- g) The shareholders cannot declare the final dividend at a rate higher than the one recommended by the Board, however, they may declare the final dividend at a rate lower than the rate recommended by the Board.
- h) Once the Dividend is declared at the Annual General Meeting in respect of a financial year, the Bank shall not declare further dividend at an Extraordinary General Meeting in relation to the same financial year.
- i) The dividend declared for each financial year shall be transferred to separate bank accounts and the Bank shall ensure that the entire amount of dividend payable after payment of Dividend Distribution Tax is transferred to the designated account within five days after the declaration of dividend.
- j) The Bank shall make the necessary arrangements for transfer of the dividend amount to the shareholder by electronic modes and ensure dispatch of the dividend warrants within 30 days of declaration of dividend.
- k) The amount remaining unpaid or unclaimed shall be transferred to the Unpaid Dividend Account for the particular financial year within 7 days of expiry of the 30 days' period.
- l) The Bank shall prepare a shareholder wise statement of unpaid dividend and upload the same on Bank's website within 90 days of transferring to the Unpaid Dividend Account.

13. Additional Requirements for payment of Interim Dividend

- a) The Board at its meeting for declaring interim dividend must satisfy itself that the Bank's financial position justifies such payment. The Interim Dividend shall be paid out of the surplus in the Profit & Loss Account and profit for the financial year in which the interim dividend is proposed to be declared. Interim Dividend shall not be paid out of the reserve fund of the Bank.
- b) The interim dividend shall not be declared in case the Bank has incurred net loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend.
- c) The interim dividend shall not be declared at a rate higher than the average rate of dividend declared by the Bank during immediately 3 preceding years.
- d) The Board of Directors at its meeting shall declare interim dividend, finalize the book closure/ record date, authorize opening of bank accounts, designate signatories for operating accounts/ issuing dividend warrants and engaging such intermediaries as may be required for declaration and payment of Dividend. The Bank shall deposit the amount of Interim Dividend within five days of declaration.
- e) The interim dividend declared shall be confirmed at the next Annual General Meeting.

14. PREFERENCE DIVIDEND

- a) If preference shares have not been redeemed, then no Dividend should be declared until dividend on such preference shares is paid or the preference shares are redeemed.
- b) Preference shareholders should be paid dividend before dividend is paid to equity shareholders of the Bank.
- c) Dividend payable on Perpetual Non-cumulative Preference Shares (PNCPS) shall be paid out of the current years' profit.
- d) In the case of Interim Dividend, while preference shareholders need not necessarily be paid dividend before interim dividend is paid to equity shareholders; the Board shall set aside such sum as would be necessary to pay dividend to preference shareholders at the contracted rate.
- e) Arrears of dividend on cumulative preference shares issued should be paid before paying any dividend.

15. TRANSFER OF UNPAID DIVIDEND TO INVESTORS EDUCATION & PROTECTION FUND

- a) Amount of dividend remaining unpaid or unclaimed for a period of 7 years from the date of transfer of such dividend to Unpaid Dividend Account shall be transferred along with interest, if any, by the Bank to the Investors' Education & Protection Fund (IEPF) established by the Central Government.
- b) The Bank shall file with the Ministry of Corporate Affairs (MCA) the details of unclaimed/unpaid dividend each year and the amount of unpaid/unclaimed dividends transferred to IEPF each year and shall maintain the details thereof.

16. CLAIMING FROM UNPAID DIVIDEND ACCOUNT

- a) The application for payment of dividend out of the Unpaid Dividend Account shall be accompanied by indemnity bond in prescribed amount where the amount of dividend is more than Rs.10,000/-, proof of identity, proof of residence, dividend warrant/letter, succession certificate/probate/letter of administration (in case of deceased person), provided that, the requirement of indemnity bond shall be dispensed with in case of state/central government, government company, public sector undertaking, or a public financial institution.
- b) Unclaimed dividend transferred to IEPF shall be claimed by making an application to IEPF Authority.

17. REPORTING SYSTEM

- a) All dividends paid by the Bank on its equity shares and preference shares shall be reported in the Directors' Report to the shareholders.
- b) Details of dividend declared during the accounting year shall be reported to RBI as per the proforma furnished in Annex 2 to the RBI Circular RBI/2004-05/451 DBOD.NO.BP.BC.88/ 21.02.067/2004-05 dated 04.05.2005. The report shall be furnished within a fortnight after declaration of dividends.
- c) All instances of non-payment of dividends shall be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of RBI, Mumbai.

18. AUTHORITY TO ALLOW DEVIATIONS

- a) In case where any specific provision of this policy is in conflict with any direction, notification, guidelines of the Central Government and RBI, the said direction, notification, guidelines would prevail.
- b) The Board of Directors of the Bank shall be the competent authority to allow any deviation from this policy in the matter related to dividend.

19. IMPLEMENTATION

This Policy shall become effective from the date of its adoption by the Board and shall remain in force till the time it is not amended or revoked by the Board, or amendments in the relevant provisions of RBI, GOI, SEBI and other regulators, if any. In the event of any conflict between the Policy and the regulatory guidelines, the regulatory guidelines shall prevail.

20. DISCLOSURE

This policy shall be uploaded on the website of the Bank, www.unitedbankofindia.com and a web link shall be provided in the Annual Report. The Bank shall update the Policy on its website as and when any change is made in the Policy.

