



DIVIDEND DISTRIBUTION POLICY OF FINO PAYMENTS BANK LIMITED

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DIVIDEND DISTRIBUTION POLICY OF FINO PAYMENTS BANK LIMITED

PREAMBLE

The Board of Directors (the “**Board**”) of Fino Payments Bank Limited (the “**Bank**”) has adopted the following policy with regard to dividend distribution (“**Dividend Distribution Policy**” or “**Policy**”), in accordance with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), the guidelines of Reserve Bank of India (“**RBI**”) (as amended and as applicable to the Bank).

In order to preserve the same with transparency and to ensure that there is no conflict of interest or any apprehension in the minds of its shareholders, the Board of the Company, has adopted the Policy and the procedures with respect to Dividends declared/recommended by the Company in accordance with the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

PURPOSE

This Policy seeks to outline broad parameters that may be applied for the purpose of recommending / declaring dividend to the members of the Bank and sets out the key considerations for arriving at the dividend payment decision. The Board will have the flexibility to determine the level of dividend based on the considerations laid out in the policy and other relevant developments.

The Bank would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. Through this policy, the Bank would endeavour to maintain a consistent approach to dividend pay-out plans by reconciling between all these needs.

REGULATORY FRAMEWORK

The Bank shall declare dividend only after ensuring compliance with the Banking Regulation Act, 1949, guidelines on dividend declaration issued by the Reserve Bank of India (“RBI”) from time to time, provisions of the Companies Act, 2013 read with the rules made thereunder, the Listing Regulations and the provisions of the Articles of Association of the Bank as amended from time to time and to the extent applicable to Payments Bank.

DEFINITIONS

The terms referred to in the policy will have the same meaning as defined under the Companies Act, 2013 and the rules made thereunder, the Listing Regulations, Banking Regulation Act, 1949 and guidelines on dividend declaration issued by the Reserve Bank of India (“RBI”) from time to time.

In this Policy, unless the contrary intention appears:

- a. the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b. a reference to a clause number includes a reference to its sub-clauses;
- c. words in singular number include the plural and vice versa.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Bank shall comply with the relevant statutory requirements that are applicable to the Bank in declaring dividend or retained earnings. Generally, the Board shall determine the dividend for a particular period after taking into consideration the financial performance of the Bank, conserve capital for growth, in case of inadequacy of profits or whenever the Bank has incurred losses; whenever the Bank undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital; whenever the Bank undertakes any acquisitions or joint arrangements requiring significant allocation of capital; significantly higher working capital requirement affecting free cash flow; in case being prohibited to recommend/declare dividend by any regulatory body.

The Board may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the financial year and the Board reserves the right to depart from the Policy as and when circumstances so warrant. Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward-looking statements in the Policy, if any.

THE FINANCIAL /INTERNAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

The Board shall consider the following financial parameters while declaring dividend or recommending dividend to shareholders:

1. Financial performance of the Bank for the year for which dividend is recommended
2. Interim dividend paid, if any
3. Internal capital planning framework / policy
4. Dividend pay-out trends in the past years
5. Tax implications if any, on distribution of dividends
6. Cost of raising funds from alternate sources of capital
7. Corporate actions including mergers/demergers, acquisitions and additional investments including expansion plans and investment in subsidiaries/associates of the Bank
8. Cash flow required for meeting tax demands and other contingencies;
9. Regulatory (and growth requirement of) Capital Adequacy;
10. Earnings outlook;
11. Expected future capital / liquidity requirements;
Any other factor not explicitly covered above but which is likely to have a significant impact other factors and/or material events which the Bank's Board may consider

EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board shall consider the following external parameters while declaring dividend or recommending dividend to shareholders:

1. Any significant changes in macro-economic environment affecting India or the geographies in which the Bank operates, or the business of the Bank or its clients.
2. Any political, tax and regulatory changes in the geographies in which the Bank operates including applicability and rate of dividend distribution tax.

3. Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws.
4. Dividend pay-out ratios of companies in the same industry.
5. Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model.
6. Any changes in the competitive environment requiring significant investment.
7. Inflation rate
8. Cost of external financing
9. Any other relevant factors and material events

UTILISATION OF RETAINED EARNINGS

The Bank would utilise 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 healthy level of minimum capital adequacy ratios, 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 interest of the Bank and its stakeholders.

Further, the retained earnings would be used in accordance with applicable provisions of Companies Act, 2013 and rules made thereunder and in accordance with Listing Regulations.

PARAMETERS FOR VARIOUS CLASSES OF SHARES

Currently, the Bank does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

If the Bank has more than one class of shares in future, dividend for each class would be subject to prescribed statutory guidelines as well as terms of offer of each class to the investors of that class of shares.

CONFLICT IN POLICY

In the event of any conflict between this Policy and the provisions contained in the applicable laws, the provisions of applicable laws shall prevail.

AMENDMENTS / MODIFICATIONS

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the 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.

REVIEW

The Dividend Distribution Policy of the Bank would be reviewed annually, or earlier if material changes take place in the applicable regulations.
