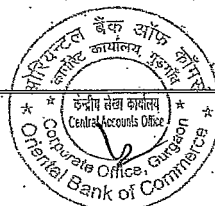


Annexure-II



**Oriental Bank of Commerce**

**Revised Dividend Policy – 2016-17**



## REVIEWED DIVIDEND POLICY OF THE BANK FOR THE YEAR 2016-17

The proposed dividend policy of the bank (for both interim and final dividend) which is placed before the Board of Directors in its meeting held on 25.06.2016 is as given below:

### (A) The Bank shall follow the mandatory prudential guidelines of-

#### (i) Ministry of Finance, Government of India, which presently are as under (Guidelines enclosed as Annexure-A);

- The Bank shall pay a minimum dividend of 20% of its equity (i.e. paid up capital) or 20% of its post tax profits for the financial year, whichever is higher. In case where the Bank has decided to pay interim dividend, in that event, the total dividend paid by the Bank based on the annual results should be as per the above guidelines.
- Further, special permission from the Ministry of Finance will be sought by the bank in case it is not able to pay minimum dividend as stated above.
- The Bank shall comply with the guidelines of the Ministry of Finance, Govt. of India, issued in this regard from time to time.

#### (ii) Reserve Bank of India, which presently are as under (Guidelines enclosed as Annexure-B):

##### 1) Eligibility criteria for declaration of dividend

The Bank would be eligible to declare dividend by complying the following minimum prudential requirements:-

- a. The bank should have CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend and Net NPA of less than 7%. Further, if the bank does not meet the above CRAR norm but is having 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%.
- b. The bank should comply with the provisions of Section 15 and 17 of the Banking Regulation Act, 1949. The Government of India vide its notification dated 04.05.2016 has specified that Sub-section (1) of Section 15 of the Banking Regulation Act, 1949 shall not apply to scheduled commercial banks in so far as the amortization over a period of two years of any loss arising out of sale of non-performing asset sold between April 01, 2015 and March 31, 2016 (where the sale consideration is lower than the net book value) to Securitization Companies/Reconstruction companies registered under the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as permitted by the Reserve Bank of India vide its Circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014 and Circular DBR.No.BP.BC.94/21.04.048/2014-15 dated May 21, 2015.

- c. The bank should comply 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.
- d. The proposed dividend should be payable out of the current year's profit.
- e. The Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

Further, in case Bank does not meet the above eligibility criteria, no special dispensation shall be available from the RBI.

## 2) Quantum of dividend payable-

Banks which fulfill the eligibility criteria as above may declare and pay dividends, subject to the following:

- i) The Dividend-Payout ratio { i.e., percentage of dividend payable in a year (excluding dividend tax) to net profit during the year } shall not exceed 40% and shall be as per the matrix given below:

**Matrix of criteria for maximum permissible range of dividend pay-out 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%.
<b>Range of Dividend Payout Ratio (%)</b>					
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

- ii) 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.
- iii) 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.

The Reserve Bank will not entertain any application for a higher dividend payout ratio than the one for which the bank qualifies.



The Bank shall comply with the guidelines subsequently by the Reserve Bank of India/Ministry of Finance in this regard, as amended from time to time.

3) **Board's oversight:**

Bank's Board should take into account the interest of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

- a) the interim dividend paid,
- b) the Annual Financial Inspection findings of the Reserve bank with regard to divergence in identification of NPAs, shortfall in provisioning etc.
- c) the auditors' qualification pertaining to the statement of accounts.
- d) the Basel III capital requirements, and
- e) the bank's long term growth plans.

4) **Reporting System**

Bank should furnish report of dividend declared during the accounting year within a fortnight after declaration of dividends, in the prescribed format (Annex 2 to Annexure-B) to RBI.

(B) The Board shall, keeping in view the "Post tax profit" position and the points elaborated in "Board's oversight" above, propose dividend not below the minimum limit as specified by Ministry of Finance and within the maximum limit as per the above matrix specified by RBI.

(C) Upon receipt of the said approvals, if any, necessary resolution for declaring dividend shall be passed in the Annual General Meeting.

(D) The payment of dividend shall be made to the shareholders within the stipulated time (presently 30 days from the date of declaration) once the above resolution is passed by the shareholders in the Annual General Meeting.

(E) The dividend tax, if any, on the dividend shall be paid by the Bank as per the prevailing provisions of the Income Tax Act, 1961.

(F) The Bank shall duly comply with all the guidelines/instructions issued by SEBI/Stock exchanges and incorporated in the listing agreement.

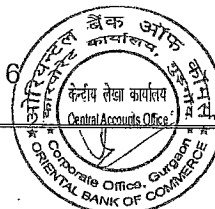
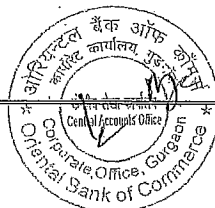
(G) The matter relating to payment of interim dividend, if any, may be considered by the Board of Directors every year based on performance during the first quarter/ half of the financial year and the expected overall performance during the year.



**(I) Compliance of SEBI guidelines relating to Dividend Distribution Policy**  
**(Gazette Notification dated 08.07.2016)-**

The status of compliance of provisions contained in the above Dividend policy 2016-17 vis-à-vis the requirement of the abovementioned SEBI Notification dated 08.07.2016, is as under-

S.no.	Amendment as per SEBI Notification published in Gazette on 08.07.2016	Our Bank's present compliance status as per the Dividend Policy for the year 2016-17
(a)	The circumstances under which the shareholders of the listed entities may or may not expect dividend	<p>A. The circumstances under which the shareholders of the listed entities <b>may expect dividend-</b></p> <p>a. If the Bank complies with the Ministry of Finance/Reserve Bank of India guidelines relating to dividend as amended from time to time.</p> <p>B. The circumstances under which the shareholders of the listed entities <b>may not expect dividend-</b></p> <p>a. If the Bank is not able to fulfill the requirement as per MoF/RBI guidelines relating to dividend, as amended from time to time.</p> <p>b. If Bank obtains special permission from Ministry of Finance, in case it is not able to pay minimum dividend as per the guidelines in vogue.</p>
(b)	The financial parameters that shall be considered while declaring dividend.	The Dividend Policy considers financial parameters such as current year's profit, pay-ratio based on CRAR and Net NPA ratio etc. as per RBI matrix.
(c)	Internal and external factors that shall be considered for declaration of dividend	<p>The following internal and external factors are considered while deciding on the proposals for declaring dividend:</p> <p>(i) RBI/MoF guidelines regarding declaration of dividend as amended from time to time.</p> <p>(ii) The Annual Financial Inspection findings of the Reserve bank with regard to divergence in identification</p>



		<p>of NPAs, shortfall in provisioning etc.</p> <p>(iii) The auditors' qualification pertaining to the statement of accounts.</p> <p>(iv) The Basel III capital requirements, and</p> <p>(v) The bank's long term growth plans.</p>
(d)	Policy as to how the retained earnings shall be utilized	The net profit available for appropriation shall be utilized for transfer to Statutory Reserve, Special Reserve, Capital Reserve, Investment Reserve Account and payment of Interim & final dividend as per guidelines in vogue. The remaining amount (rounded-off to nearest rupees in crore), if any, shall be appropriated to Revenue & Other Reserve and the residual amount i.e. less than Rs. one crore is kept as Profit & Loss account carry forward.
(e)	Parameters that shall be adopted with regard to various classes of shares	This clause is not applicable as the Bank has issued Equity Shares only.

(J) Further, if the Bank proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

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