Suryoday Small Finance Bank Limited

Dividend Distribution Policy

Version: FY 26-27/1.0

Policy Version Control:

Version	Board Approval Date	Author	Maintained by
FY 21-22/1.0	11th November 2021	Geeta Krishnan	Risk & Policy
FY 21-22/2.0	25th March 2022	Geeta Krishnan	Risk & Policy
FY 22-23/1.0	24th March 2023	Krishna Kant Chaturvedi	Risk & Policy
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FY 26-27/1.0	07th May 2026	Krishna Kant Chaturvedi	Risk & Policy

Notice to the Reader:

Contents

I. Objective

The objective of the Dividend Distribution Policy ("Policy") of the Bank is to lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to its shareholders for a financial year and provide a framework by which the Bank may reward its shareholders appropriately through dividends and retain profits in the business for long term growth of the Bank's business.

The Policy is framed in compliance with the provisions of Companies Act, 2013 (the "**Act**") and Rules made thereunder, provisions of Banking Regulation Act, 1949 and Guidelines/ circulars/ Directions issued by Reserve Bank of India ("**RBI"),** Income Tax Act, 1961, as amended and Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") as amended from time to time.

II. Criteria to be Considered by the Board before Recommending Dividend

The Bank shall take into account the interests of all the stakeholders and the following aspects while deciding on the proposals for recommending dividend and/or retention of profits:

A. Financial Parameters:

The Financial eligibility criteria and the dividend payout ratio computation shall be as per RBI circular Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026 RBI/2025-26/391 DOR.ACC.REC.No.428/21.02.067/2025-26 March 10, 2026, Section 123 of the Companies Act, 2013 and relevant rules made thereunder, Banking Regulation Act, 1949, SEBI Listing Regulations as amended from time to time.

The Board shall take into account the interests of all stake holders and the following aspects while deciding on the proposals for declaring dividend:

a) Financial performance of the Bank for the year for which dividend is recommended;
b) The interim dividend, if any, paid during the year,
c) The Annual Financial Inspection findings of the Reserve Bank regarding divergence in identification of NPAs, shortfall in provisioning, etc.,
d) The auditors' qualifications, if any,
e) The Bank's long term growth plans.
f) Current and projected capital position vis-à-vis applicable regulatory capital requirement; and
g) Long term growth plans.
h) Such other factors and/or material events which the Bank's Board may consider.

- Profits ineligible for payment of dividend as per Part D of Reserve Bank of India (Small Finance Banks- Prudential Norms on Declaration of Dividend) Directions, 2026 RBI/2025-26/391 DOR.ACC.REC.No.428/21.02.067/2025-26 March 10, 2026:

  The following profits shall not be available for payment of dividend:

  a. Any exceptional and / or extra-ordinary profits / income shall not be available for payment of dividend.
  b. If the Audit Report by the Statutory Auditor contains a modified opinion that indicates an overstatement of the Profit After Tax (PAT), the same shall not be available for payment of dividend, to the extent it is included in PAT.
  c. In terms of Reserve Bank of India (Small Finance Banks - Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, a bank shall not pay dividend out of net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).

d. The prudential treatment of reversal of excess provision, dividend payment by a bank on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in the Reserve Bank of India (Small Finance Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

B. Regulatory Parameters:

The Board of the Bank may recommend dividend (including interim dividend) in compliance with the relevant provisions of:

a) the Companies Act, 2013 and the Rules thereunder
b) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), to the extent applicable to banking companies
c) the Banking Regulation Act,1949 and the circulars/guidelines issued by RBI in this regard from time to time.
d) The Income Tax Act, 1961
e) The Relevant Accounting Standards

The eligibility and quantum of dividend to be declared shall be based on compliance with the minimum prudential requirements as provided by the relevant RBI Circulars from time to time.

In the event of a conflict between the Policy and the Regulatory guidelines, the Regulatory guidelines shall prevail.

I. Quantum of dividend payable

A bank which satisfies the eligibility criteria laid down in above paragraph may declare and pay dividend up to the limits prescribed under Table 1 below, but in aggregate not exceeding 75% of the PAT for the period for which the dividend is being proposed:

Table -1

Bucket	**Tier 1 Capital Ratio as at the end of previous FY**	**Dividend allowed as a % of adjusted PAT for the period**
B1	Up to 7.5%	0
B2	Above 7.5% and up to 9.5%	20
B3	Above 9.5% and up to 11.5%	30
B4	Above 11.5% and up to 13.5%	40
B5	Above 13.5% and up to 15.5%	50
B6	Above 15.5% and up to 16.5%	60
B7	Above 16.5% and up to 17.5%	70
B8	Above 17.5% and up to 18.5%	80
B9	Above 18.5% and up to 19.5%	90
B10	Above 19.5%	100

II. Reporting System

A bank declaring dividend shall report details thereof as per the format prescribed in Annex II of Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026 RBI/2025-26/391 DOR.ACC.REC.No.428/21.02.067/2025-26 March 10, 2026. The report shall be furnished to the Department of Supervision of the Reserve Bank within a fortnight of declaration of dividend.

C. Internal and External Factors:

The Board shall consider the following internal and external factors before recommending dividend apart from factors as stated in Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026 RBI/ 2025-26/391 DOR. ACC. REC. No. 428/21.02.067/2025-26 March 10, 2026:

1. Internal factors

a. Adjusted Profit After Tax (PAT)- 'Adjusted Profit After Tax (PAT)' means PAT of the financial year for which the dividend is proposed to be paid minus 50 per cent of Net NPA as on March 31 of the financial year for which the dividend is to be paid
b. Need to conserve adequate resources for growth and capital requirements.
c. Past dividend trends.
d. Quantum of cash to be preserved for exigencies & contingencies.
e. Avenues for better utilization of funds.
f. Optima Tax implications including dividend distribution tax
g. Capital Adequacy Ratio (CAR) subject to regulatory minimum of total and Tier I CAR
h. Expected capital requirements for planned growth
i. Cost of raising funds from alternative sources
j. Current and prospective capital ratios including future regulatory as well as growth requirements
k. Regulatory requirements
l. Auditors' Report to the financial statements, including modified opinion or Emphasis of Matter, for the financial year for which the dividend is proposed
m. Any other factors as the Board of Directors may consider appropriate.

2. External factors

a. General economic environment both, domestic and global.
b. Significant changes in the macro-economic and market conditions.
c. Changes in taxation, regulation and government policies.
d. Capital markets scenario.
e. Practices adopted by Industry and peer group companies.
f. Shareholders' expectations.
g. Regulatory requirement to maintain minimum Capital to Risk Weighted Assets Ratio ('CRAR') at 15% as per Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025 (Updated as on March 10, 2026)

III. Utilization Of Retained Earnings

The retained earnings of the Bank would be used across general corporate purposes and growth. The Board may decide to utilise the retained earnings to meet enhanced capital requirements for Bank's future growth/expansion plans, to ensure maintenance of an optimal level of capital adequacy, to meet any business exigencies, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

IV. Circumstances Under Which Shareholders May Not Expect Dividend

The Board of the Bank may not recommend any dividend in the following circumstances:

a) inadequate profits or cash losses
b) the eligibility criteria for recommendation of dividend have not been met by the Bank, including any regulatory or contractual restriction placed on the Bank on declaration of dividend.
c) requirement to conserve cash resources for any unforeseen contingencies or circumstances.
d) Any other factors as the Board of Directors may consider appropriate.

V. Parameters For Various Classes of Shares

The Bank does not have any other class of shares other than equity shares. Therefore, the entire distributable profit for the purpose of declaration of dividend will be considered for the equity shareholders based on their shareholding on the record date.

VI. General Principles of the Bank Regarding Distribution of Dividend /Manner of Payment of Dividend

The dividend for each year would be recommended by the Board within the aforesaid parameters. On declaration of dividend at the Annual General Meeting, as per Regulation 12 of the SEBI Listing Regulations ODR, the Bank will use any of the electronic modes 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 cheques will be issued to the eligible shareholders. Further, where the amount payable as dividend exceeds Rs 1,500, the payable-at-par warrants or cheques will be sent by speed post.

VII. Unpaid Dividend Account

As per Section 124 of the Companies Act, 2013, the Bank shall transfer the unpaid/unclaimed dividend within 7 days of expiry of 30 days from the date of declaration of the dividend to a special account to be opened by the Bank in that behalf in any scheduled bank to be called as the Unpaid Dividend Account. And further transfer the said unpaid/unclaimed dividend to the Fund, as specified under Section 125 of the Companies Act, 2013, after the expiry of a period of 7 years from the date of such transfer to the Unpaid Dividend Account, as specified under Section 125 of the Companies Act, 2013 and SEBI Listing Regulations.

VIII. Conflict

In the event of a conflict between the Policy and the Regulatory guidelines, the Regulatory guidelines shall prevail.

IX. Review of Policy

This Policy will be reviewed once in a year or earlier, if required, and will be amended based on any changes in the laws, rules and regulations applicable to the Bank from time to time or changes in internal processes. However, the amended regulatory provisions will be implemented in accordance with the timelines and shall supersede the Policy till the time Policy is suitably amended with the approval of the Board.

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

X. Disclosure of Policy

The said Policy will be hosted on the website of the Bank and a web-link of the Policy will also be disclosed in the Annual Report of the Bank.