DIVIDEND DISTRIBUTION POLICY

OF

THE SOUTH INDIAN BANK LIMITED

Confidential

Version 1.0

26th May, 2017

1. **INTRODUCTION**
The south Indian Bank Limited is a public company incorporated under the erstwhile Companies Act, 1913 and licensed as a bank under the Banking Regulation Act, 1949. The Bank has been paying equity share dividends in accordance with the guidelines of Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI), Companies Act, 1956, Companies Act, 2013 and Banking Regulation Act, 1949.

2. **LEGAL FRAME WORK**
Regulation 43(A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

3. **OBJECTIVE**
The Bank while proposing dividend on equity share has to ensure the compliance with the RBI guidelines relating to declaration of dividend, capital conservation requirements under guidelines on Basel III norms issued by RBI, provisions of the Banking Regulation Act, 1949, the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, provisions of the Companies Act, 2013 and guidelines provided under the section titled "Dividends" in the Articles of Association (AOA) of the Bank. This policy documents the guidelines on payment of dividends, 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.

4. **APPROVAL PROCESS**
The Board of Directors of the Bank would take into account the following aspects while deciding on the proposal for dividend:

a) profitability and key financial metrics;
b) the interim dividend paid, if any;
c) Qualifications pertaining to the statement of accounts by the Auditor, if any;
d) Whether dividend/coupon payments for non-equity capital instruments (including preference shares) have been made;
e) the Bank's capital position and requirements as per Internal Capital Adequacy Assessment Process (ICAAP) projections and regulatory norms; and
f) all other applicable regulatory requirements

The dividend decision would be subject to consideration of any other relevant factors like, State of the domestic and global economy, capital market conditions and dividend policy of competitors; Tax implications including applicability, rate of dividend distribution tax, Shareholder expectations etc.

The decision regarding dividend shall be taken only by the Board at its Meeting and not by a Committee of the Board or by way of a Resolution passed by circulation.

Final dividend shall be paid only after approval at an Annual General Meeting (AGM) of the Bank. Shareholder approval is not required for payment of interim dividend.

5. UTILISATION OF RETAINED EARNINGS

The Bank would utilise the retained earnings for general corporate purposes, including organic and inorganic growth, investments in subsidiaries and/or appropriations/drawdowns as per the regulatory framework. The Board may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the Bank's future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

6. VARIOUS CLASSES OF SHARES

At present, the Bank has only one class of equity shareholders. In the absence of any other class of equity shares and/or equity shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

7. CONDITIONS UNDER WHICH THE BOARD MAY OR MAY NOT DECIDE TO RECOMMEND ANY DIVIDEND

The Board of the Bank may vary the level of dividend or not recommend any dividend based on the regulatory eligibility criteria for recommendation of dividend, including any regulatory restriction placed on the Bank on declaration of dividend and capital and reserve position of the Bank. There may also be obligations that the Bank could have undertaken under the terms of perpetual noncumulative preference shares or debt capital instruments pursuant to applicable regulations which might prohibit the Bank from declaring dividend in certain circumstances. The Board, at its sole discretion, may recommend lower or no dividends if it is of the view that there is a need to conserve capital.

REVIEW

The dividend distribution policy of the Bank would be reviewed annually or earlier, if there is any changes in the applicable regulations.