



DIVIDEND DISTRIBUTION POLICY

OF

PNB HOUSING FINANCE LIMITED

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Summary of Version History

Policy approved by	Board of Directors
Policy drafted by	CFO
Last Date of Renewal of Policy	January 24, 2017 /V1.0 October 24 2019/V2.0 January 27, 2021/V3.0
Current Revision Date/No	October 31, 2023/V4.0

DIVIDEND DISTRIBUTION POLICY

I. Scope and Purpose

Regulation 43 and 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires the Company to frame and adopt a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

Reserve Bank of India ('RBI') vide notification no. RBI/2021-22/59/DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 has prescribed guidelines on distribution of dividend by NBFCs including HFCs

The objective of this Policy is to establish the principles and criteria to be considered by the Board of Directors ("**Board**") prior to recommending dividend to the shareholders of the PNB Housing Finance Limited ('Company').

II. Financial parameters along with factors for recommendation/ declaration of Dividend

The Board shall consider the below mentioned financial parameters, prudential requirement, and other factors while considering the proposal for declaration of dividend:

A. Internal factors

- i. Profits earned during the financial year and the need to accumulate reserves.
- ii. Capital adequacy ratio and the future capital requirement as prescribed by the Regulator.
- iii. Capital requirement for growth in the loan portfolio.
- iv. Capital expenditure and working capital requirements.
- v. Financial commitments for outstanding borrowings and interest thereon.
- vi. Financial requirement for business expansion and/or diversification, acquisition etc. of new businesses.
- vii. Supervisory findings of the National Housing Bank (NHB) on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- viii. Qualifications in the Auditors' Report to the financial statements.
- ix. Long term growth plans of the Company.
- x. Provisioning for financial implications arising out of unforeseen events and/or contingencies.
- xi. Other factors and/or material events which the Board may consider from time to time.

B. External factors

- i. Regulatory Restrictions / Obligations.
- ii. Prevailing economic conditions.
- iii. Agreements with Lenders / Debenture Trustees.
- iv. Prevalent market practices.
- v. Shareholder expectations, including individual shareholders.
- vi. Government policies

C. Minimum Prudential Requirements

S.no	Parameter	Requirement
1	Capital Adequacy	The Company shall have met the applicable regulatory capital requirement (consisting of Tier-I and Tier-II capital) as prescribed by RBI, for each of the last three financial years including the financial year for which the dividend is proposed.
2	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which the dividend is proposed to be declared.
3	Other criteria	The Company shall comply with the provisions of Section 29C of The National Housing Bank Act, 1987. The NHB and RBI shall not have placed any explicit restrictions on declaration of dividend.

III. Circumstances under which shareholders may or may not expect dividend:

The decision to recommend/ declare the dividend by the Board of Directors shall primarily depend on the factors listed out above. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of inadequacy or absence of profits.
- ii. In the event of inadequacy of cash flow available for distribution.
- iii. In the event of a growth opportunities where the Company may be required to allocate a significant amount of capital.
- iv. In the event of higher working capital requirement for business operations or otherwise.

IV. Manner of utilisation of Retained Earnings

Retained earnings shall be utilised in accordance with prevailing regulatory requirements, creating reserves for specific objectives, fortifying the balance sheet against contingencies, generating higher returns for shareholders through reinvestment of profits for future growth and expansion and any other specific purpose as approved by the Board of Directors of the Company.

The Company shall endeavour to utilise retained earnings in a manner that shall be beneficial to both, the interests of the Company and its stakeholders.

V. Parameters for various classes of shares

Currently, the Company has only one class of shares - Equity Shares. There is no privilege amongst Equity shareholders of the Company with respect to dividend distribution.

VI. Quantum of Dividend Payable and Dividend pay-out ratio

The dividend pay-out ratio is maximum of 50% of profit after tax for the year, computed as per the provisions of Companies Act, 2013. (Regulatory ceiling is 50%).

In case the profit after tax for the relevant period includes any exceptional profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of profit after tax, the same shall be reduced from profit after tax while determining the dividend payout ratio.

In case the Company does not meet the applicable prudential requirement prescribed in II C (1 and 2) above for each of the last three financial years, the Company may be eligible to declare dividend, subject to a cap of 10% on the dividend payout ratio, provided that the Company:

- a) meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and
- b) has net NPA of less than 4 per cent as at the close of the financial year.

The Board may declare dividend (interim and final) within this maximum limit.

The Company being an insurance intermediary and has majority shareholding of foreign investors shall take prior permission of the Insurance Regulatory and Development Authority of India (IRDAI) for repatriating dividend vide Notification no IRDAI/ Reg/13/164/2019 dated October 30, 2019.

VII. Review / Amendment

The Board may amend, abrogate, modify or revise any or all provisions of this Policy. However, amendments in the Act or in the Listing Regulations shall be binding even if not incorporated in this Policy. This Policy shall be reviewed and updated annually or at earlier intervals as may be deemed necessary.

VIII. Disclosure of Policy and reporting to Regulator

The Policy shall also be hosted on the website of the Company and shall also be disclosed in the Annual report of the Company.

Details of dividend declared during the financial year shall be reported in the format prescribed by RBI within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of NHB under whose jurisdiction it is registered.