

Certified True Copy
For Kotak Mahindra Bank Ltd.

KOTAK MAHINDRA BANK LIMITED
DIVIDEND DISTRIBUTION POLICY

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1. Preamble

The Securities Exchange Board of India (SEBI) vide its notification dated 8th July 2016 amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by inserting Regulation 43A. In terms of the said Regulation the top five hundred listed entities need to mandatorily formulate a dividend distribution policy based on market capitalization calculated as on the 31st day of March of every financial year.

Pursuant to the Regulation 43A, the Board of Directors ('Board') of Kotak Mahindra Bank Ltd. ('Bank') has adopted the 'Dividend Distribution Policy' ('Policy'). This Policy aims to lay down a framework with regard to distribution of dividend or retention of profits and to provide clarity to the stakeholders on the dividend distribution strategies of the Bank.

2. Philosophy

Banking is a business that requires capital for growth. The Bank has been growing consistently and needs capital. The share of Bank in industry is still low and Bank would like to increase the same over a period of time. Regulatory norms on capital adequacy globally have been evolving and there is more emphasis on the quality and quantity of capital. The capital requirements are going to increase once the capital conservation buffer is fully phased in and may increase further if countercyclical buffers are introduced. The Bank expects greater investment in technology to meet growing challenges. The Bank will maintain a balance between payment of dividend to its shareholders with retaining adequate capital.

3. Parameters for distribution of dividend

(a) Regulatory Framework

- The Bank shall declare dividend as per the prevailing regulations/guidelines issued by Reserve Bank of India ('RBI') from time to time and the provisions of the Banking Regulation Act, 1949. In accordance with the RBI guidelines, the Bank shall comply with the following eligibility criteria laid down for declaration of dividend:
 - The Bank should have -
 - Capital to Risk (Weighted) Assets Ratio (CRAR) of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend;
 - Net Non-Performing Assets (NPAs) less than 7%.In case 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 may declare dividend provided the Bank's NPA ratio is less than 5%.
 - The Bank should comply with the following provisions of the Banking Regulation Act, 1949:
 - Section 15 which provides that the Banking Company shall not pay any dividend on its shares until all its capitalized expenses have been completely written-off in addition to the other provisions.
 - Section 17 which provides that the Bank shall transfer a sum equivalent to not less than twenty percent of the profit as disclosed in the Profit and Loss Account prepared under Section 29 to the Reserve Fund or Share Premium Account.
 - 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.
 - The proposed dividend is to be paid out of the current year's profit of the Bank.

- RBI should not have placed any explicit restrictions on the Bank for declaration of dividends.

In case the Bank does not meet any of the above eligibility criteria for a particular year, it may not declare dividend.

- The Bank shall pay dividend (including interim dividend) in compliance with the relevant provisions of the Companies Act, 2013, the Companies (Declaration and Payment of Dividend) Rules, 2014, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and such other act, rules or regulations which provide for the distribution of dividend.

(b) Periodicity & Nature of Dividend

The Bank may generally declare dividend once a year, after announcement of the full year results. Currently, the Bank does not have any other class of shares other than equity shares.

(c) Factors to be considered before declaring dividend

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

Financial Factors

- (i) Profits earned during the financial year.
- (ii) Capital adequacy.
- (iii) Annual Financial Inspection findings of RBI.
- (iv) Tax implications, if any, of distribution of dividend.
- (v) Cost of raising funds from alternate sources.
- (vi) Corporate actions including mergers/demergers, acquisitions, bonus issue, right issue.
- (vii) Interim dividend paid, if any.
- (viii) Basel III capital requirements.
- (ix) Any other factors which the Board may consider.

Non Financial Factors

- (i) Bank's long term growth plans.
- (ii) Economic environment.
- (iii) Legal & Regulatory framework.
- (iv) Past dividend trends.
- (v) Reinvestment opportunities.
- (vi) Auditors' qualifications pertaining to the statement of accounts, if any.

(d) Use of retained earnings

The Reserves created by the Bank in accordance with the regulations governing the Bank will be utilised based on approval of the Board to the extent permitted by regulations.

(e) Circumstances under which no dividend or a lower payout is declared for a given financial year

The Board of the Bank may not recommend any dividend or may recommend a lower payout for a given financial year under the following circumstances:

- Bank has reported a net loss for the year.
- Bank has weak capital adequacy metrics.
- Bank has significant expansion plans.
- Restriction on payment of dividend imposed by RBI or any other regulator.
- Any other extraordinary circumstances.

4. Dividend Information

Information on the dividends paid in the last five years will be made available on the Bank's website.

5. Disclosure & Amendment/Review of Policy

The Board of the Bank will review the policy annually. Further, subject to applicable laws, the Board may, from time to time amend or alter this policy or any terms and conditions thereof. This policy shall be disclosed on the Bank's website viz. URL:<http://ir.kotak.com/>

6. Variation

In the event of any variation or inconsistency between provisions of this policy and any amendments, clarifications, circulars, notifications or guidelines issued by the relevant authorities, then such amendments, clarifications, circulars, notifications or guidelines shall prevail over this policy and the provisions of this policy shall be deemed to have been amended so as to be read in consonance with such amendments, clarifications, circulars, notifications or guidelines.