HDFC BANK

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DIVIDEND DISTRIBUTION POLICY

OBJECTIVE:

The objective of this policy is to lay down the criteria to be considered by the Board of Directors of HDFC Bank Limited ("the Bank") before recommending dividend to its shareholders for a financial year. The policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time.

CRITERIA TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND:

The Board will consider the following factors before recommending dividend:

Statutory and Regulatory Compliance:

- The Bank shall declare dividend only after ensuring compliance with the Banking Regulation Act, 1949, guidelines on dividend declaration issued by the Reserve Bank of India (RBI) from time to time, provisions of the Companies Act, 2013 and rules made thereunder and the SEBI Listing Regulations, as amended from time to time and to the extent applicable to Banking Companies
- The Bank shall meet the below mentioned RBI prescribed matrix of Capital to Risk-weighted Assets Ratio ("CRAR") and net Non-Performing Assets ("NPA") ratio for determining the maximum permissible range of dividend pay-out ratio.

CRAR	**Net NPA Ratio**			
	Zero	**More than zero but less than 3%**	**From 3% to less than 5%**	**From 5% to less than 7%**
	Range of Dividend Pay-out Ratio			
11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
9% or more in the Current year	Up to 10		Up to 5	Nil

  - *The Bank should have a CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend and Net NPA less than 7% to be eligible to declare dividends. In case the bank does not meet the above CRAR norm, but is having a 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%.*
  - *Additional common equity requirement, currently 0.2%, on account of the Bank being identified as Domestic Systematically Important Bank, shall be added.*

- The Bank shall also consider the minimum Common Equity Tier 1 ("CET1") requirement including the capital conservation buffer, as prescribed by the RBI. The prescribed minimum capital conservation ratios ("MCCR") corresponding to the range of CET1 ratios are as below:

CET1 Ratio	**MCCR (as a percentage of earnings)**
5.5% - 6.125%	100%
>6.125% - 6.75%	80%
>6.75% - 7.375%	60%
>7.375% - 8.0%	40%
>8.0%	0%

  - *For example, if CET1 ratio of the Bank is in the range of 6.125% to 6.75%, the Bank is required to conserve 80% of its earnings (i.e. distribution as prescribed by the RBI not more than 20%).*
  - *CET1 capital must first be used to meet the minimum Tier 1 (7%) and total CRAR (9%) requirements, if necessary, before the remainder can contribute to the capital conservation buffer requirement.*
  - *To the minimum CET1 requirement of 5.5%, capital conservation buffer of 2.5% and additional common equity requirement, currently 0.2%, on account of the Bank being identified as Domestic Systematically Important Bank, shall be added.*

<u>Financial Criteria:</u>

- Financial performance of the Bank for the year for which dividend is recommended
- Interim dividend paid, if any
- Internal capital planning framework / policy
- Dividend pay-out trends (the dividend pay-out ratio will be calculated as a percentage of dividend (including dividend tax, as applicable) recommended for the year to the net profit for that year)
- Tax implications if any, on distribution of dividends
- Cost of raising funds from alternate sources of capital
- Corporate actions including mergers/demergers, acquisitions and additional investments including expansion plans and investment in subsidiaries/associates of the Bank
- Such other factors and/or material events which the Bank's Board may consider.

<u>External Factors:</u>

- Shareholder expectations including individual shareholders
- Macro-economic environment.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:

The Board of the Bank may not recommend any dividend if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or other exigencies which will be spelt. There may also be regulatory obligations that the Bank would have undertaken in form of dividend stopper clauses in bond issuances which might get triggered in certain circumstances and would prohibit the bank from declaring dividend.

UTILISATION OF RETAINED EARNINGS:

The Bank would utilise the retained earnings in a manner which is beneficial to the interest of the Bank and its stakeholders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the Bank's future business growth / expansion and strategic plans or such other purpose the Board may deem fit from time to time in the interest of the Bank and its stakeholders.

PARAMETERS FOR VARIOUS CLASSES OF SHARES:

Currently, the Bank does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

DIVIDEND INFORMATION:

Information on dividends paid in the last five years including dividend yield and payout ratio will be made available on the Bank's website.

CONFLICT IN POLICY:

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

AMENDMENTS / MODIFICATIONS:

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and necessary ratification.

REVIEW OF POLICY:

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

DISCLOSURE OF POLICY:

The policy will be available on the Bank's website and its web-link will also be provided in the Bank's Annual Report.

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