



DIVIDEND DISTRIBUTION POLICY

(Last amended on April 16, 2025)

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Dividend Distribution Policy

1. Background

Dividend Distribution Policy is formulated in accordance with the provisions of the Companies Act, 2013. In case of listed companies, Section 24 of the Companies Act, 2013 confers on SEBI, the power of administration relating to non-payment of dividend. The policy is drawn in line with the requirements of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (“RBI Master Direction”).

2. Objective

The objective of this Policy is to lay down the criteria and parameters that are to be considered by the Board of Directors of HDB Financial Services Limited (“the Company”) while deciding on the declaration of Dividend from time to time. This Policy is applicable to dividend declared/ recommended on the equity shares of the Company.

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and long term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business.

3. Dividend

Under Section 2(35) of the Companies Act, 2013, “Dividend” includes any interim dividend. In common parlance, “dividend” means the profit of a company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them.

4. Criteria and Parameters for declaration of Dividend

The Dividend for any financial year shall normally be paid out of the Company profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

5. Interim and Final Dividend

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting.

6. Financial parameters and other internal and external factors that would be considered for declaration of Dividend:

- Distributable surplus available as per the Act and Regulations;
- The Company’s liquidity position and future cash flow needs;
- Trend of dividends paid in the past years by the Company;
- Payout ratios of comparable companies;
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution;
- Capital expenditure requirements considering the expansion and acquisition opportunities;
- Cost and availability of alternative sources of financing;
- Loan repayment and Working capital requirements;

- Macroeconomic and business conditions in general;
- Any windfall, extra-ordinary or abnormal gains made by the Company;
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend

7. Circumstances under which the shareholders may not expect Dividend

The shareholders of the Company may not expect Dividend under the following circumstances:

- In the event of inadequacy of profits or whenever the Company has incurred losses;
- Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows;
- An impending / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital or other exigencies which will be spelt;
- Allocation of cash required for buy-back of securities;
- Any of the above referred internal or external factors, including any regulatory restriction, if any, restraining the Company from considering dividend;

8. Board Oversight - Declaration of dividends

The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend. However, the Board of Directors, while considering the proposals for dividend, shall take into account each of the following aspects:

- Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- Qualifications in the Auditors Report to the financial statements.
- Long term growth plans of the NBFC
- Risk appetite for leverage ratio

9. Eligibility criteria:

The Company shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Sr. No	Parameter	Requirement
1.	Capital Adequacy	The Company should have met the applicable regulatory capital requirement as per RBI Master Direction for each of the last three financial years including the financial year for which the dividend is proposed.
2	Leverage Ratio	The leverage ratio of NBFCs (except NBFC-MFIs, NBFCs-ML and above) shall not be more than seven at any point of time
3	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 dividend is proposed to be declared.
4	Compliance with other criteria	(a) The Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. (b) The Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank.

5	Dividend Pay-out Ratio	<ul style="list-style-type: none"> • There will be no ceiling on dividend pay-out ratio for eligible NBFCs that do not accept public funds and have no customer interface. • However, NBFCs that meet the eligibility criteria as specified in 1 to 4 above, can declare dividend up to a dividend pay-out ratio of 50 percent. • The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified
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10. Modification of the Policy

The Board is authorised to change/ amend this policy from time to time at its sole discretion and/ or subject to revision/ amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorised, from time to time.

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this policy. In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

11. Disclosures / Reporting

The declaration of dividend shall be reported to RBI in the format prescribed in RBI Master Direction.

The dividend declared shall be disclosed in the Annual Report in the form of web-link and the Dividend Distribution Policy shall be published on the website of the Company at <https://www.hdbfs.com/investors>.

12. Conflict in Policy

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

13. Review of the 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 Company's website and in the Annual Report.

14. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.