

## OBL Dividend Policy

**Preamble:** OBL Dividend policy is the strategy that the Bank follows in deciding the amount of dividends, ensure a steady/ regular dividend payout every year, possible tax advantage, support for stock price, flexibility, offsetting dilution effect and financial leverage, depending on Profitability, Growth, Free cash flow and Past dividends. It is a tradeoff between retained earnings on the one hand and paying out cash on the other hand.

Different types of dividend i.e., cash, stock & mix dividends policy are prevailing at present in the Banking industries. Considering the regulators requirement as well as shareholders' expectation (a) a few banks are following cash dividend, (b) a few banks are following stock dividend but (c) maximum banks are following mix dividend policy i.e., both stock and cash dividends in even or uneven ratio.

**Core Policy of OBL:** Dividend policy of ONE Bank limited is devised taking into account the long, medium and short term impacts on the shareholders' value, stock price cum shareholders' perception and local legislations and so on. It primarily focuses on:

1. **Capital Base:** Stock Dividend enhances the Capital Base and strengthens bank's capacity. ONE Bank Ltd pursues a policy of continued enhancement of the Capital Base.
2. **Reinvestment:** Stock Dividend is the best source of fund and as such one of the most potential sources of liquidity.
3. **Dilution of EPS:** Stock Dividend enhances number of shares which results in dilution of EPS, thus barring the growth of EPS. Considering this, the Bank will strive to strike a balance between issuance of stock & cash dividends to maintain a steady growth in EPS.
4. **Shareholders Expectation:** Shareholders prefer immediate payout / Cash Dividend. Cash Dividend generates high return on investment in comparison with Stock Dividend if the market value and face value of shares are similar or closure to each other.

### **Regulatory Requirements:**

1. **Regulator directives:** Regulators encourage Cash Dividend. As such, there is a regulatory obligation for paying more Cash Dividend. The provisions of two regulators are quoted here-
  - i. **BSEC-**As per Order of BSEC vide letter no SEC/CMRRCD/2009-193/08, dated September 01, 2020 any listed company shall be shifted or transferred to the "Z-category" immediately if the issuer fails to declare cash dividend for a period of 2 (Two) consecutive years from the date of the declaration of last year.
  - ii. **ITO 1984-**As per section 16(F) of ITO 1984, Cash Dividend Ratio will be higher or equal to the ratio of Stock Dividend, otherwise 10% Tax to be paid on whole amount of Stock Dividend.

**Conclusion:** ONE Bank Limited will follow stable / regular and hybrid/mix dividend policy i.e. infusing cash and stock dividends in compliance with the circulars/notifications/directives of Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC) and/or other regulators/Authorities.

The issuance of Dividends will be finally approved in AGM before disbursement.