AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381

Registered Office: 19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR – 302001, RAJASTHAN, INDIA
Tel: +91-141 4110060 | Fax: +91-141 4110090
E-mail: investorrelations@aubank.in | Website: www.aubank.in

POSTAL BALLOT NOTICE

(Notice pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014)

Dear Member(s),

NOTICE is hereby given that pursuant to provisions of Section 110 and other applicable provisions, if any, of the Companies Act, 2013, ("**Act**") read with Rule 20 & 22 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, circulars issued by Ministry of Corporate Affairs dated 08th April 2020, 13th April 2020, 15th June 2020 and 28th September 2020 ("**MCA Circulars**") and pursuant to all other applicable rules/regulations/guidelines/circulars/notifications (including any statutory modification(s), amendment(s) thereto or re-enactment(s) thereof for the time being in force), AU Small Finance Bank Limited (hereinafter referred to as "**Bank**") is seeking consent of the members of the Bank on special business set out herein below, proposed to be passed by way of Postal Ballot through voting only by electronic means ("**e-voting**").

The Explanatory Statement under Section 102 of the Act setting out the material facts and reasons thereof for the resolutions is also appended herewith for members consideration.

E-Voting Option

Members may note that as required under the provisions of Section 108, 110 and other applicable provisions, if any of the Act and the rules made thereunder as applicable in this regard and Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has engaged the services of National Securities Depository Limited ("**NSDL**") to provide e-voting facility to members of the Bank.

The Scrutinizer will submit his report to the Managing Director & CEO and in his absence to the Company Secretary as authorized by Chairman after completion of the e-voting and the result of the voting by postal ballot will be announced on or before **Friday, 25th December, 2020** by the Managing Director & CEO and in his absence by the Company Secretary of the Bank. The result of the postal ballot will be posted on the Bank's website (https://www.aubank.in/reports/disclosures) and NSDL website (https://www.evoting.nsdl.com) immediately after the declaration of result and the same will also be communicated to BSE Limited and the National Stock Exchange of India Ltd. within stipulated time period as prescribed in this regard.

The resolution, if approved, will be taken as passed effectively on the last date of e-voting, i.e. **Wednesday, 23rd December, 2020** ("deemed date of passing of the resolution")

SPECIAL BUSINESS:

ITEM NO.1 - TO APPROVE THE RE-APPOINTMENT OF MR. RAJ VIKASH VERMA AS PART-TIME CHAIRMAN (INDEPENDENT DIRECTOR) (NON-EXECUTIVE) OF THE BANK SUBJECT TO APPROVAL OF RESERVE BANK OF INDIA

To consider and, if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 10A, 10B(1A), 35B and other relevant provisions of the Banking Regulation Act, 1949, and the rules, guidelines, circulars, notifications issued by the Reserve Bank of India ("**RBI**") from time to time and to the extent applicable in this regard, applicable provisions of the Companies Act, 2013 (the "**Act**") read with the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other applicable laws (including any statutory modification(s), amendment(s) thereto or re-enactment(s) thereof for the time being in force), and in consonance with the provisions of the Articles of Associations and Compensation Policy of the Bank and pursuant to the recommendation of the Nomination and Remuneration Committee and the Board of Directors, consent of the members of the Bank be and is hereby accorded to re-appoint Mr. Raj Vikash Verma (DIN: 03546341) as Part-Time Chairman (Independent Director) (Non-Executive) of the Bank, for a period of 2 (two) years with effect from 8th April 2021 or from such other date as may be approved by RBI in this regard and subject to such other terms & conditions and on such consolidated honorarium as may be specified by RBI while granting approval plus applicable sitting fees.

RESOLVED FURTHER THAT Board of Directors (hereinafter referred to as the "**Board**" which term shall be deemed to include any committees constituted/to be constituted by the Board to exercise its powers including the powers conferred by this resolution) of the Bank, be and is hereby authorized, wherever required including the power to delegate the authority to any official(s) of the Bank to sign application, execute, submit any documents with Stock Exchange(s) i.e. BSE Limited and National Stock Exchange of India Ltd., Securities and Exchange Board of India and any other authority(ies) as may be required, and to deliver on behalf of the Bank all deeds, documents, declarations, undertakings, clarification, submissions and other writings, as applicable to any authority and to do all such other acts and things as may be required in this regard."

ITEM NO.2 -TO APPROVE AU SMALL FINANCE BANK LIMITED - EMPLOYEES STOCK OPTION PLAN 2020

To consider and, if thought fit, to pass the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 62 (1) (b) and all other applicable provisions, if any, of the Companies Act, 2013 (the "**Act**") read with Rule 12 of The Companies (Share Capital and Debentures) Rules, 2014 and pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (the "**SBEB Regulations**") issued by the Securities and Exchange Board of India ("**SEBI**") (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the provisions of the Articles of Association of the Bank and subject to such permissions and approvals as may be required and subject to such conditions and modifications as may be imposed by any of the authorities while granting such permissions and approvals and agreed to by the Board of Directors of the Bank (hereinafter referred to as ("**the Board**"), which term shall include the Nomination and Remuneration Committee or any other Committee of the Bank constituted by the Board to exercise its powers in relation hereto, including the powers conferred by this Resolution and/or such other persons who may be authorized by the Board or the Nomination and Remuneration Committee in this regard), the approval of the members be and is hereby accorded to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of "AU SMALL FINANCE BANK LIMITED - Employees Stock Option Plan 2020" **("AU ESOP Scheme 2020")** and authorizing the Board/Committee, to exercise its powers, including the powers conferred by this resolution, to grant, offer, issue and allot at any time or from time to time to or for the benefit of such person(s) who are permanent employees of the Bank, whether working in India or outside India, and / or to the Directors of the Bank, whether whole-time or not but excluding Independent Director(s) and to such other persons as may be decided by the Board and / or permitted under SBEB Regulations (hereinafter referred to as **'Eligible Employees'**) except an employee/Director who is a promoter or a person belonging to the promoter group and a Director(s) who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Bank, Options exercisable into not more than 50,00,000 (Fifty Lakhs) equity shares of the Bank ("Equity Share(s)") under one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority; each option would be exercisable for one Equity Share of the face value of Rs. 10/- each fully paid up on payment of the requisite exercise price to the Bank.

RESOLVED FURTHER THAT each option shall vest in the hands of the option holder after a minimum period of one Year from the date of grant of the option or such longer period as may be determined by the Board from time to time subject to the conditions mentioned that the option grantee continues to be an employee of the Bank and the performance or other conditions as may be determined by the Board from time to time.

RESOLVED FURTHER THAT vested option can be exercised in whole or in part after the vesting date and within the vesting period only by the employee to whom the option have vested by making an application to the Bank for issue of shares against the option vested to him/ her by paying requisite amount of money and the unexercised portion of the vested options, will continue to be available to the employee or the nominee for exercise as provided for in the scheme and the options granted to an employee's including right therein cannot be transferred to any other person.

RESOLVED FURTHER THAT Board be and is hereby severally authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the AU ESOP Scheme 2020 and such Equity Shares shall rank pari passu in all respects with the then existing Equity Shares.

RESOLVED FURTHER THAT the Nomination and Remuneration Committee or any other committee of the Bank as constituted by the Board be and are hereby authorized by itself and/or by way of delegation to the AU SMALL FINANCE BANK EMPLOYEES WELFARE TRUST to implement, administer/superintend the AU ESOP Scheme 2020 including identifying the eligible employees and determining the number of option that may be offered to them as per terms and conditions set out under AU ESOP Scheme 2020.

RESOLVED FURTHER THAT in case the Equity Shares are either sub-divided, split, consolidated, or in case of Bonus issue or any other corporate action(s), then the number of shares to be allotted under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10/- per Equity Share bears to the revised face value of the Equity Shares after such sub-division, split, consolidation, Bonus or any other corporate action(s) and the price of acquisition payable by the option grantees shall automatically stand reduced or augmented, as the case may be, in the same proportion as the revised face value of the Equity Shares after such sub-division, split consolidation, Bonus or any other corporate action(s) bears to the present face value of Rs. 10/- per Equity Share, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the shares may be allotted in accordance with AU ESOP Scheme 2020 either directly or through "AU SMALL FINANCE BANK EMPLOYEES WELFARE TRUST" or any other Trust which has been or may be set up in any permissible manner and that AU ESOP SCHEME 2020 may also envisage for providing any financial assistance to the trust, subject to the compliance of applicable law(s), to enable the trust to acquire, purchase or subscribe to the shares of the Bank.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the scheme(s) on the stock exchanges in future, where the securities of the Bank is listed in accordance with listing agreement executed with the concerned stock exchange(s) as per the provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the Nomination & Remuneration committee of the Bank be and is hereby authorized to advise to the Board to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit subject to shareholder's approval, from time to time, in its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, as amended, modified or re-enacted from time to time, the Memorandum and Articles of Association of the Bank, SBEB Guidelines and any other applicable laws.

RESOLVED FURTHER THAT a document AU SMALL FINANCE BANK LIMITED - EMPLOYEES STOCK OPTION PLAN 2020 titled as "**AU ESOP SCHEME 2020**" and initialed by the chairman for the purpose of identification, be and is hereby approved and the same shall come into effect from the date of shareholders' approval.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient in this regard at any stage without requiring the Board to secure any further consent or approval of the members of the Bank in this regard."

By Order of the Board of Directors
For AU Small Finance Bank Limited

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Place: Jaipur
Date: 28th October 2020
Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan - India
Website: www.aubank.in
Tel: +91 141 4110060
Fax: +91 141 4110090
E-mail: investorrelations@aubank.in

NOTES

1. Ministry of Corporate Affairs ("**MCA**"), in terms of the General Circular No.14, 17, 22 and 33 /2020 dated 8th April 2020 ,13th April 2020, 15th June 2020 and 28th September 2020 respectively ("**MCA Circulars"**) and in view of the current extraordinary circumstances due to COVID-19 pandemic requiring social distancing, have advised the companies to take all decisions requiring members approval, other than items of ordinary business or business where any person has a right to be heard, through the mechanism of postal ballot/e-voting in accordance with the provisions of the Companies Act, 2013 and rules made thereunder, without holding a general meeting that requires physical presence of members at a common venue. The MCA has further clarified that for companies that are required to provide e-voting facility under the Act, while they are transacting any business (es) only by postal ballot upto 31st December 2020 or till further orders, the requirements provided in Rule 20 & 22 of the Companies (Management and Administration) Rules, 2014 as well as the framework provided in the MCA Circulars will be applicable mutatis mutandis.

2. The Explanatory Statement pursuant to Section 102 of the Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014 in respect of the special business is annexed herewith and forms part of this notice.

3. The Notice is being electronically sent to all the members of the Bank whose names appear on the Register of Members/List of Beneficial Owners as received from the National Securities Depository Limited ("**NSDL"**)/Central Depository Services (India) Limited ("**CDSL**") as on **Friday, November 20, 2020**. The Postal Ballot Notice is being sent to members in electronic form to the e-mail addresses registered with Bank or depository/ depository participants and the communication of assent/dissent of the members will only take place through the remote e-voting system. It is however, clarified that all the persons who are members of the Bank as on **Friday, November 20, 2020** and who may not have received notice due to non-registration of e-mail id with the Bank or the depository shall be entitled to vote in relation to the resolutions specified in this notice.

4. The Board of Directors has appointed CS Manoj Maheshwari (FCS: 3355), Practicing Company Secretary, Jaipur as Scrutinizer and failing him CS Vikas Mehta (FCS: 9985), Practicing Company Secretary as the Alternate Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner.

5. In terms of Sections 108 and 110 and other applicable provisions, if any, of the Act, as amended, from time to time read with the Companies (Management and Administration) Rules, 2014 and in compliance with Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank is pleased to offer remote e-voting facility to all the members of the Bank. The Bank has appointed NSDL for facilitating e-voting to enable the members to cast their votes electronically ('**Remote e-voting**').

6. In accordance with MCA Circulars and on account of threat posed by COVID-19 pandemic situation, the Bank is sending Postal Ballot Notice in electronic form only and will not dispatch hard copy of Postal Ballot Notice along with Postal Ballot Form, pre-paid business reply envelope and the members are required to communicate their assent or dissent through the remote e-voting system only. To facilitate such members to receive this notice electronically and cast their vote electronically, members can register their e-mail id by following the process detailed herein.

Process for those members whose e-mail id's are not registered with the depositories and for procuring user id, password & registration of e-mail ids for e-voting for the resolutions set out in this notice:

i) **For Temporary Registration for De-mat members:** The Members of the Bank holding Equity Shares of the Bank in de-mat Form and who have not registered their e-mail addresses may temporarily get their e-mail addresses registered with Link Intime India Pvt. Ltd. by clicking the link: https://linkintime.co.in/EmailReg/Email_Register.html at the Investor Services tab by choosing the E mail Registration heading and follow the registration process as guided therein. The members are requested to provide details such as Name, DPID, Client ID/ PAN, mobile number, and e-mail id. In case of any query, a member may send an e-mail to RTA at rnt.helpdesk@linkintime.co.in

On submission of the members details an OTP will be received by the members which needs to be entered in the link for verification.

ii. **For Permanent Registration for De-mat members:** It is clarified that for permanent registration of e-mail address, the Members are requested to register their e-mail address, in respect of de-mat holdings with the respective Depository Participant (DP) by following the procedure prescribed by the Depository Participant.

7. The remote e-voting period commences from **Tuesday, 24th November 2020 [9.00 a.m. (IST)] and ends on Wednesday, 23rd December 2020 [5.00 p.m. (IST)]**. During this period, members holding shares, as on **Friday, 20th November 2020**, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently or cast vote again.

   The voting rights of the members shall be in proportion to their shares in the total paid-up equity share capital of the Bank subject to the provisions of the Banking Regulation Act, 1949, as amended, as on the cut-off date i.e. **Friday, 20th November 2020.**

8. The documents referred to in the Explanatory Statement will be available for inspection at the Bank's Registered Office from Tuesday, 24th November, 2020 to Wednesday, 23rd December, 2020 between 10.00 A.M. to 5.00 P.M. on all working day of the Bank (except Saturday and Sunday).

9. The Scrutinizer's decision on the validity of e-voting will be final.

10. Brief profile and other additional information pursuant Secretarial Standard on General Meetings (SS-2) issued by The Institute of Company Secretaries of India is furnished as annexure to the Notice.

11. Resolutions passed by the members through Postal Ballot are deemed to have been passed as if the same have been passed at a General Meeting of the members.

12. Postal Ballot notice is also available on the website of the Bank i.e. https://www.aubank.in/reports/disclosures and can also be downloaded by accessing website of the Registrar and Transfer Agent [RTA] at www.linkintime.co.in and NSDL at www.evoting.nsdl.com.

13. To exercise vote by using e-voting facility, please carefully follow the instructions given under the heading "**e-voting Instructions**" of Postal Ballot Notice.

E-Voting Instructions: The instructions for members voting electronically are as under:

<u>How do I vote electronically using NSDL e-Voting system?</u>

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/
Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

<u>How to Log-in to NSDL e-Voting website?</u>

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under members' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.
   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	**Your User ID is:**
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example, if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      (i) If your email ID is registered in your de-mat account or with the Bank, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      (ii) If your email ID is not registered, follow the process of registering the email as per point 6 above given under Notes.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your de-mat account number/folio number, your PAN, your name and your registered address.
   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "**EVEN114928**" of Bank for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "**Submit**" and also "**Confirm**" when prompted.
6. Upon confirmation, the message "**Vote cast successfully**" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for members

1 Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail at cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the download section of www.evoting.nsdl.comor call on toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email address: pallavid@nsdl.co.in/evoting@nsdl.co.in or at telephone no. +91 22 2499 4545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email address: investorrelations@aubank.in or contact at telephone no. 0141-4110060/61.

Explanatory statement pursuant to provisions of Section 102 (1) of the Companies Act, 2013

The following statement sets out all material facts relating to the special business under Item No. 1 of the Notice.

ITEM NO. 1

Mr. Raj Vikash Verma appointment as the Part-Time Chairman (Independent Director) (Non-Executive) of the Bank was approved by RBI for period of 1 (One) year effective from 08th April 2020 and shareholders have approved his appointment as Part-Time Chairman (Independent Director) (Non-Executive) for a period of 1 year effective 30th March 2020. Further, his term of appointment as Independent Director was approved by Shareholders through postal ballot dated 22nd January 2020 for second term for a period of 3 (Three) years effective from 30th January 2021.

Nomination and Remuneration Committee after assessing performance evaluation and fit & proper documents found profile of Mr. Raj Vikash Verma suitable and recommended to the Board of Directors for re-appointing him as Part-Time Chairman (Independent Director) (Non-Executive) of the Bank for a period of 2 (two) years with effect from 8th April 2021 or from such other date as approved by RBI and subject to such terms & conditions and on such consolidated honorarium as may be specified by RBI while granting approval plus applicable sitting fees.

Mr. Raj Vikash Verma has been on the Board of the Bank from past ~2.5 years, he has seen the complete transition and growth on the Banking platform and has given due guidance for improving the governance structure, laying down of policies, procedures. Further, his regulatory experience benefitted the Bank in enhancing the qualitative & quantitative matters that should be looked by the Board and committees of Board.

His vast and diversified experience of over ~40 years in fields of Finance, Economics, Banking, Regulatory Compliances, Housing & Mortgage Finance and the Real Estate Sector helped the Bank to build a strong foundation on which it can profitably and sustainably scale its operations.

The resolution as stated out in the Item No. 1 of notice seeks the approval of members to re-appoint Mr. Raj Vikash Verma as Part Time Chairman (Independent Director) (Non-Executive) of the Bank on existing terms & conditions for a period of 2 (Two) years with effect from 8th April 2021 or from such other date as approved by RBI subject to such other terms & conditions and on such consolidated honorarium as may be specified by RBI while granting approval plus applicable sitting fees for attending the Board and committee meetings.

None of the Promoter, Directors (Except Mr. Raj Vikash Verma & his relatives), Key Managerial Personnel of the Bank and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 1 of the Notice except to the extent of their shareholding, if any in the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 1 of the Notice.

This explanatory statement along with the additional information as per Secretarial Standard - 2 on General Meetings issued by Institute of Company Secretaries of India (“**ICSI**”), as annexed herewith may also be regarded as disclosure under the provisions of the Act.

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTOR BEING RE-APPOINTED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE SECRETARIAL STANDARD – 2 ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA

Particulars	**Mr. Raj Vikash Verma**
Age	65 years
Date of first appointment on Board	30th January 2018
Qualification	• Certified Associate of the Indian Institute of Bankers (CAIIB) • Master's in business administration, FMS, Delhi University • Master's in economics, Delhi School of Economics, Delhi University • BA (Honors), Economics
Brief Resume including experience	Mr. Raj Vikash Verma has vast and diversified experience of ~40 years in fields of Finance, Economics, Banking, Regulatory Compliances, Housing & Mortgage Finance, and the Real Estate Sector at policy and execution level. He has held several leadership positions during his illustrious career in the Financial Services sector including many top management and Board positions, viz. Chairman and Managing Director (CMD) of National Housing Bank (NHB), Whole Time Director and Chairman of CERSAI, Non-Executive Director/Chairman of the India Mortgage Guarantee Corporation and Whole Time Member & Officiating Chairman of Pension Fund Regulatory and Development Authority (PFRDA). He is consultant to the World Bank Group on Housing, Real Estate and Mortgage Sector and appointed as Member on the Advisory Committee of the Insolvency and Bankruptcy Board of India (IBBI). He also served as Member on a number of Committees appointed by the Government of India and Reserve Bank of India, and has played key roles in the formulation of various national level schemes and programmes on affordable and low-income Housing, Securitization, informal sector and Micro housing finance and several other groundbreaking Initiatives and Projects.
Nature of his expertise in specific functional areas	He possesses expertise in following areas in accordance with the provisions of Section 10 of Banking Regulation Act: • Accountancy, • Banking • Economics • Finance • Human Resource, Risk Management, Business Management & Administration • Housing & Mortgage Finance

Other Directorship	• India Mortgage Guarantee Corporation Private Limited • Ajivika Finance Limited • Encore Asset Reconstruction Company Private Limited
*Chairmanship/Membership of Committees in other companies in which position of Director is held	Nil
Relationship with other Directors, Managers, and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Company	NIL
No. of Board meetings attended during the year (FY20-21)	5
Terms and conditions of appointment or re-appointment	Proposed to be re-appointed as Part-Time Chairman (Independent Director) (Non-Executive) for a period of 2 (two) years with effect from 8th April 2021 or from such other date as approved by RBI and subject to such terms & conditions and on such consolidated honorarium as may be specified by RBI while granting approval plus applicable sitting fees.
Remuneration last drawn	• Honorarium of Rs. 20 Lakhs per annum as approved by the RBI and sitting fees is as follows: • 75,000/- for Board Meeting • 30,000/- for each committee meeting
Remuneration sought to be paid	For his designation as Part - Time Chairman, Honorarium as may be approved by Reserve Bank of India and sitting fees as may be approved by Board of Directors from time to time & other incidental expenses for attending the meetings of Board/Board Committees.

*Chairmanship and Membership of Audit Committee and Stakeholders Relationship Committee of listed and unlisted public companies have been considered.

ITEM NO. 2

The purpose of the AU ESOP Scheme 2020 is to attract, motivate and retain the employees, and to provide them opportunity to create long term wealth during their journey with the Bank.

Accordingly, Bank proposes to adopt a new scheme under SEBI (Share Based Employee Benefits) Regulations, 2014, under the name and style of **"AU SMALL FINANCE BANK LIMITED - Employees Stock Option Plan 2020"** (AU ESOP Scheme 2020)**.**

For the purposes of granting options to the employees of the Bank, the Resolution contained at Item No. 2 seek to obtain the members approval to authorize the Board of Directors of the Bank (hereinafter referred to as **("the Board")**, which term shall include the Nomination and Remuneration Committee or any other Committee of the Bank constituted by the Board to exercise its powers in relation hereto, including the powers conferred by this Resolution and/or such other persons who may be authorized by the Board or the

Nomination and Remuneration Committee in this regard), to create, issue, offer and allot equity shares, from time to time, to employees of the Bank on exercise of the options.

The details of AU ESOP Scheme 2020 covering 50,00,000 (Fifty Lakhs) Options with underlying equivalent nos. of equity shares of face value of Rs. 10/- each, and requisite disclosures under regulation 6 & 14 of SBEB Regulations are given as under:

A. BRIEF DESCRIPTION OF THE SCHEME

(i) to attract and retain the personnel for such positions in the Bank which are eminent/significant in nature and involve substantial responsibilities, authority, power, etc.
(ii) to provide additional incentive to the Employees since, equity-based compensation plans forms an integral part of employee compensation as it enables alignment of personal goals of the Employee(s) with Bank's objectives by making the Employee(s) owners of the Bank through share-based compensation plans; and/or
(iii) to enable the bona fide Employees, present and hereinafter existing, giving a sense of belongingness to the employees towards the Bank, having the opportunity to participate for their wealth creation with the growth of the Bank.

B. TOTAL NUMBER OF STOCK OPTIONS TO BE GRANTED:

The Options to be granted under the ESOP scheme shall not exceed 50,00,000 (Fifty Lakhs) (or such other adjusted figure for any stock splits or consolidations or bonus or other re-organization of the capital structure of the Bank, as may be applicable from time to time) exercisable into one Equity Share of having face value of Rs. 10/- each for one option.

C. IDENTIFICATION OF CLASSES OF EMPLOYEES ENTITLED TO PARTICIPATE IN THE EMPLOYEE STOCK OPTION SCHEME(S):

The AU ESOP Scheme 2020 shall extend to employees of the Bank as may be determined by the Nomination and Remuneration Committee as per applicable SBEB Regulations.

D. REQUIREMENTS FOR VESTING, PERIOD OF VESTING ETC.:

The continuation of employee in the services of the Bank shall be the primary requirement of the vesting. The grant of options shall be made as per the AU ESOP Scheme 2020.

The vesting of an option would also be subject to the terms and conditions as may be stipulated by the Nomination and Remuneration Committee from time to time including but not limited to satisfactory performance of the employees, their continued employment with the Bank. The vesting period shall commence any time after the expiry of one year from the date of the grant of the options to the employee and could extend up to six years from the date of the grant of the options. The options could vest in tranches. The number of stock options and terms of the same as made available to employees could vary at the discretion of the Nomination and Remuneration Committee subject to Shareholder's approval, from time to time, in its sole and absolute discretion.

E. MAXIMUM PERIOD WITHIN WHICH THE OPTIONS SHALL BE VESTED

The vesting period shall commence any time after the expiry of one year from the date of the grant of the options to the employee and could extend up to six years from the date of the grant of the options.

F. EXERCISE PRICE OR PRICING FORMULA:

The exercise price for options shall be linked to Market Price under AU ESOP Scheme 2020 and shall be determined by the Nomination & Remuneration Committee at its discretion, in compliance of regulation 17 and other regulations of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

G. EXERCISE PERIOD AND THE PROCESS OF EXERCISE:

The exercise period shall be within 6 years from the date of 1st Vesting date and employees shall be required to submit their exercise notice to the Bank/Trust for exercising their options and post which unexercised options shall lapse.

H. THE APPRAISAL PROCESS FOR DETERMINING THE ELIGIBILITY OF EMPLOYEES TO THE EMPLOYEES STOCK OPTION PLAN:

Appraisal process for determining the eligibility to participate in the scheme, shall be decided by the Nomination and remuneration committee, taking into account various aspects like qualification, designation, present grade of employee, experience, period of service of employee, present grade and compensation structure of employee, potential of the individual and criticality of the position, performance levels (past and current), future performance indicators, exceptional contribution made by the employee integrity and behavior of the employee and such other parameters as it may decide.

I. MAXIMUM NUMBER & QUANTUM OF OPTIONS TO BE GRANTED PER EMPLOYEE AND IN AGGREGATE:

Maximum number of options to be granted to an eligible employee will be determined by the Nomination and Remuneration Committee in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 subject to the condition that in case of grant of ESOPs to identified employees is in equal to or is exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the Bank then separate approval of shareholders shall be obtained. The Bank does not have any subsidiary/holding company at present, hence no grant of ESOPs is applicable in this regard. The nos. of options under the AU ESOP Scheme 2020 in aggregate shall not be more than 50,00,000 options.

J. IMPLEMENTATION AND ADMINISTRATION OF SCHEME

The Nomination & Remuneration Committee of the Board constituted by the Bank pursuant to the provisions of Section 178 of the Companies Act, 2013 is also referred as the 'Compensation Committee' which can by itself and/or by way of delegation to the AU SMALL FINANCE BANK EMPLOYEES WELFARE TRUST is responsible for administration and superintendence of the AU ESOP Scheme 2020.

K. **WHETHER THE SCHEME(S) INVOLVES NEW ISSUE OF SHARES BY THE COMPANY OR SECONDARY ACQUISITION THROUGH TRUST OR BOTH:**

The Scheme provide for new issue of shares by the Bank and in case of secondary acquisition, separate shareholder's approval shall be sought in compliance of regulation 6 (3) of SBEB regulations.

L. **MAXIMUM PERCENTAGE OF SECONDARY ACQUISITION:**

The secondary acquisition if any, proposed will not exceed 2% of Paid equity capital of the Bank in compliance of SEBI (SBEB) Regulations, 2014.

M. **AMOUNT OF LOAN TO BE PROVIDED FOR IMPLEMENTATION OF THE PLAN BY THE BANK TO THE TRUST, ITS TENURE, UTILIZATION, REPAYMENT TERMS, ETC.:** NIL

N. **DISCLOSURE AND ACCOUNTING POLICIES:**

The Bank shall confirm to the applicable Accounting Standards, Companies Act, 2013 and SBEB guidelines as may be applicable including the disclosure and follow accounting policies as specified in the SEBI (SBEB) Regulation, 2014 and such other guidelines applicable from time to time.

O. **METHOD OF OPTION VALUATION:**

The Bank adopts two methods to account for stock grants; namely (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black- Scholes pricing model to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall also be disclosed in the Board's Report. It shall be ensured by the Bank that in case of regulatory stipulation of carrying out valuation of ESOPs under certain methodology, the said valuation method shall be followed by the Bank.

OTHER FEATURES:

P. **CONDITIONS UNDER WHICH OPTION VESTED IN EMPLOYEES MAY LAPSE:**

The conditions, circumstances under which options vested in an employee may lapse including termination from employment for misconduct or other reasons shall be decided by the Nomination and Remuneration Committee, more particularly elaborated under the AU ESOP Scheme 2020.

Q. **THE SPECIFIED TIME PERIOD WITHIN WHICH THE EMPLOYEE SHALL EXERCISE THE VESTED OPTIONS IN THE EVENT OF A PROPOSED TERMINATION OF EMPLOYMENT OR RESIGNATION OF EMPLOYEE:**

(i) Termination by the Bank

In the event the Bank terminates the employment of an Employee:

(a) For Cause, all Options, whether Vested or not (i.e. both vested and unvested Options), shall lapse.

(b) Without Cause, all Options that have not vested in such employee shall lapse. All Vested Options shall continue to vest in the employee and shall be exercisable in accordance with the terms hereof provided however that the Employee shall be required to Exercise all his/her Vested Option within thirty (30) days of the date of his/ her resignation or before relieving of employee, whichever is earlier, failing which the Options exercisable shall lapse.

(ii) Resignation by the Employee

In the event of resignation by the Employee, all Options that have not vested in such Employee shall lapse. All Vested Options shall continue to Vest in the Employee and shall be exercisable in accordance with the terms provided herein however that the Employee shall be required to Exercise all his/her Vested Option within thirty (30) days of the date of his/her resignation or before relieving of Employee, whichever is earlier, failing which the Options exercisable shall lapse.

R. LOCK-IN PERIOD, IF ANY:

Stock options allotted to the Employees under the AU ESOP Scheme 2020 are freely tradeable and will not be subject to lock-in.

None of the Director or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution as set out in Item No. 2 except to the extent of their shareholding in the Bank.

By Order of the Board of Directors
For AU Small Finance Bank Limited
Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Place: Jaipur
Date: 28th October, 2020
Registered Office: 19-A, Dhuleshwar Garden,
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