AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381

Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001, Rajasthan, India
Corporate Office: 5th Floor, E-Wing, Kanakia Zillion, Junction of CST and LBS Road, Kurla (West), Mumbai – 400070, Maharashtra, India
Tel: +91-141 4110060 | 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 and the MCA Circulars)

Dear Member(s),

NOTICE is hereby given that pursuant to provisions of Sections 108 & 110 and other applicable provisions, if any, of the Companies Act, 2013, ("**Act**") read with Rule 20 and 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 ("**Listing Regulations**"), Secretarial Standard on General Meetings ("**SS-2**") issued by the Institute of Company Secretaries of India, General Circulars No.14/2020 dated 8th April, 2020, No. 17/2020 dated 13th April, 2020, No. 22/2020 dated 15th June, 2020, No. 33/2020 dated 28th September, 2020, No. 39/2020 dated 31st December, 2020, No. 10/2021 dated 23rd June, 2021, No. 20/2021 dated 8th December, 2021, No. 03/2022 dated 5th May, 2022 and 11/2022 dated 28th December, 2022 issued by the Ministry of Corporate Affairs ("**MCA Circulars**") and 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 ("**Bank**") is seeking consent of the members of the Bank on special businesses set out herein, proposed to be passed through Postal Ballot, only by way of remote electronic voting ("**e-voting**").

In terms of the MCA Circulars, companies are advised to take all decisions requiring the approval of members, 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 Act and Rules made thereunder, without holding a general meeting. Further, in compliance of MCA Circulars, the Bank will send Postal Ballot Notice only by e-mail to all its members who have registered their e-mail addresses with the Registrar and Transfer Agent ("**RTA**") of the Bank or Depository/Depository Participants. Hard copy of Postal Ballot Notice along with Postal Ballot Forms and pre-paid business envelope will not be sent to the members for this Postal Ballot. This Postal Ballot is accordingly being initiated in compliance with the above MCA Circulars.

You are requested to peruse the following proposed Resolutions along with Explanatory Statement provided by the Bank and thereafter record your assent or dissent by means of e-voting system by **5:00 p.m. (IST) on Sunday, 30th April, 2023**. The resolutions, if passed by the requisite majority, shall be deemed to have been passed on the last date for e-voting i.e. **Sunday, 30th April, 2023**. Further, resolutions passed by the members through E-voting are deemed to have been passed effectively at a general meeting.

SPECIAL BUSINESSES:

ITEM NO. 1: APPROVAL FOR THE APPOINTMENT OF MS. KAVITA VENUGOPAL (DIN: 07551521) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("**Act**") read with rules made there under, provisions of Section 10A(2)(a) of the Banking Regulation Act, 1949, and Regulation 17(1C) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and other applicable provisions, if any, of the Listing Regulations and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and on the recommendation of Nomination and Remuneration Committee ("**NRC**") and the Board of Directors of the Bank ("**the Board**"), Ms. Kavita Venugopal (DIN: 07551521), who was appointed as a Non-Executive Independent Director (Additional Director) by the Board w.e.f. 29th March, 2023 in terms of provisions of Section 161(1) of the Act and in respect of whom the Bank has received a notice in writing under Section 160 of the Act from a member proposing her candidature for the office of director and who meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations, be and is hereby appointed as an Independent Director of the Bank to hold office for a term of three (3) years i.e. upto 28th March, 2026 and who shall not be liable to retire by rotation.

RESOLVED FURTHER THAT to give effect to this resolution, the Board be and is hereby authorised to do all deeds, matters, things, acts, and to execute any agreements, undertakings, submissions, documents and writings, as may be deemed necessary, but not limited to making correspondences with Reserve Bank of India or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank."

ITEM NO. 2: APPROVAL AND ADOPTION OF 'AU EMPLOYEES STOCK OPTION SCHEME 2023' ("AU ESOS 2023")

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 other applicable provisions, if any, of the Companies Act, 2013 (the "**Act**") read with rules made there under, the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (the "**SBEB & SE Regulations**") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**Listing Regulations**"), the provisions of any regulations/guidelines prescribed by the Securities and Exchange Board of India (the "**SEBI**") and / or the Reserve Bank of India (the "**RBI**") and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(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 approval(s), permission(s) and sanction(s) as may be required and subject to such conditions and modifications as may be imposed by any of the authorities while granting such approval(s), permission(s) and sanction(s) and agreed to and accepted by the Board of Directors of the Bank (hereinafter referred to as "**the Board**" which term shall include the Nomination and Remuneration 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 Employees Stock Option Plan 2023' ("AU ESOP 2023") or 'AU Employees Stock Option Scheme 2023' ("AU ESOS 2023")** and authorizing the Board 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 'Employees' as determined to be eligible by the Board in accordance with the SBEB & SE Regulations ("**the Eligible Employees**"), 2,00,00,000 (Two Crores) Options exercisable into equivalent number of equity shares of the Bank of the face value of Rs. 10/- (Rupees Ten Only) each (“**Equity Shares**”) 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 and each option would be exercisable for one Equity Share of the face value of Rs. 10/- (Rupees Ten Only) each fully paid up on payment of the requisite exercise price to the Bank.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the AU ESOS 2023 and such Equity Shares shall rank pari passu in all respects with the then existing Equity Shares.

RESOLVED FURTHER THAT in case of any corporate action such as bonus issue, rights issues or change in capital structure such as re-classification, split, sub-division of shares and other similar corporate actions or change in capital structure, the Board be and is hereby authorised to do all acts, deeds, matters and things as it may deem fit in its absolute discretion and as permitted under applicable laws for making appropriate changes in number of options and/or Exercise Price and/or to the number of Shares to be allotted, as the case may be.

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 Listing Regulations and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms, as approved by the members, the Board be and is hereby authorized to administer, superintendent, implement, formulate, evolve, decide upon and bring into effect the AU ESOS 2023 on such terms and conditions as contained in the Explanatory Statement to this item in the Notice and to make any further modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the AU ESOS 2023, from time to time, subject to compliance with the applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all deeds, matters, things, acts, as it may, in its absolute discretion deem necessary in this regard, including authorizing the officers of the Bank or authorizing or directing appointment of various intermediaries, advisors, consultants or representatives, being incidental to the effective implementation and administration of the AU ESOS 2023 as also to make applications to the appropriate authorities, parties, institutions, as the case may be, for their requisite approvals as also to initiate or take all necessary or incidental actions in the above connection and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank and to settle all such questions, difficulties or doubts whatsoever that may arise and take all such steps and decisions in this regard.”

Place: Dehradun
Date: 10th March, 2023

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

Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014, setting out all material facts and reasons relating to the resolutions in respect of the businesses set out above is annexed herewith.

2. 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 and Regulation 44 of Listing Regulations, the Bank has engaged the services of National Securities Depository Limited to provide e-voting facility to members of the Bank.

3. The Board of Directors has appointed CS Mr. Manoj Maheshwari (FCS: 3355), Practicing Company Secretary, as Scrutinizer and failing him CS Ms. Priyanka Agarwal (FCS: 11138), Practicing Company Secretary as the Alternate Scrutinizer for conducting the postal ballot e-voting process in a fair and transparent manner.

4. The Postal Ballot Notice is being sent by e-mail 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, 24th March, 2023** ("**Cut-off Date**"). It is however, clarified that all the persons who are members of the Bank as on the Cut-off Date and who may not have received notice due to non-registration of e-mail id shall also be entitled to vote in relation to the resolution specified in this notice.

5. Dispatch of the Notice shall be deemed to be completed on the day on which Bank or NSDL sends out the Postal Ballot Notice by e-mail to the members of the Bank.

6. 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 NSDL at www.evoting.nsdl.com and at the relevant sections of the websites of the BSE Limited at www.bseindia.com and National Stock Exchange of India Ltd. at www.nseindia.com.

7. As required by Rule 20 and Rule 22 of the Companies (Management and Administration) Rules, 2014 read with the MCA Circulars and the Listing Regulations, the details pertaining to this Postal Ballot will be published in one English national daily newspaper circulating throughout India (in English language) and one Hindi daily newspaper circulating in Jaipur (in vernacular language i.e. Hindi).

8. The remote e-voting period commences from **Saturday, 1st April, 2023 [9:00 a.m. (IST)]** and ends on **Sunday, 30th April, 2023 [5:00 p.m. (IST)]**. During this period, members holding shares as on **Friday, 24th March, 2023**, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting after **Sunday, 30th April, 2023 [5:00 p.m. (IST)]**. 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 on the cut-off date i.e. **Friday, 24th March, 2023**.

9. All relevant documents referred to in this Notice requiring the approval of the members shall be available for inspection by the members. Members who wish to inspect the documents are requested to send an e-mail to investorrelations@aubank.in mentioning their Name, Client ID and DP ID.

10. Members whose e-mail ids are not registered with the depositories are requested to register their e-mail address with the Depository Participant with whom they are maintaining their demat account by following the procedure prescribed by the Depository Participant. These members may also cast their vote by following the e-voting process given in this notice.

11. Brief profile and other additional information of the proposed appointee pursuant to Regulation 36(3) of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India is furnished as annexure to the Notice.

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

13. The Scrutinizer will submit his report to the Managing Director & CEO or to the Chief Financial Officer or to the Company Secretary as authorized by the Chairman of the Bank after completion of the scrutiny of votes cast through e-voting. The result of the voting by postal ballot will be announced on or before **Wednesday, 3rd May, 2023** by the Managing Director & CEO or by the Chief Financial Officer or 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 Scrutinizer's decision on the validity of e-voting will be final.

<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:

<u>Step 1: Access to NSDL e-Voting system</u>

A. <u>Login method for e-Voting for Individual shareholders holding securities in demat mode</u>

In terms of SEBI circular dated 9th December, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	i. Existing **IDeAS** user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the "**Beneficial Owner"** icon under **"Login"** which is available under **'IDeAS'** section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under value added services. Click on **"Access to e-Voting"** under e-Voting services and you will be able to see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period. ii. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS Portal"** or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp iii. 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. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under

Type of shareholders	Login Method
	'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period. iv. Shareholders/Members can also download NSDL Mobile App "**NSDL Speede**" facility by scanning the QR code mentioned below for seamless voting experience. **NSDL Mobile App is available on** App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	i. Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi / Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & New System Myeasi Tab and then use your existing Myeasi username & password. ii. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-Voting is in progress as per the information provided by company. On clicking the e-Voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. iii. If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option. iv. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-Voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at above-mentioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at 022-4886 7000 and 022-2499 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

B. Login Method for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

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 'Shareholder/Member' section.

3. A new screen will open. You will have to enter your User ID, your Password/OTP 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. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can user 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 to 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 demat account or with the company, 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 8-digit 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, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**

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 demat account number/folio number, your PAN, your name and your registered address etc.
   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.

Step 2: Cast your vote electronically on NSDL e-Voting system.

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle.

2. Select **EVEN (123724)** of company for which you wish to cast your vote during the remote e-Voting period.

3. Now you are ready for e-Voting as the Voting page opens.

4. 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.

5. Upon confirmation, the message "**Vote cast successfully**" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. Institutional shareholders (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 the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on **"Upload Board Resolution / Authority Letter"** displayed under **"e-Voting"** tab in their login.

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 Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on : 022 – 4886 7000 and 022 – 2499 7000 or send a request to Ms. Pallavi Mhatre – Senior Manager, National Securities Depository Limited, 4th floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 at evoting@nsdl.co.in

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

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investorrelations@aubank.in.

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investorrelations@aubank.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A)** i.e. **Login method for e-Voting for Individual shareholders holding securities in demat mode**.

3. Alternatively, shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

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

Item No. 1:

Ms. Kavita Venugopal (DIN: 07551521) was appointed as a Non-Executive Independent Director (Additional Director) on the recommendation of Nomination and Remuneration Committee ("**NRC**"), by the Board of Directors ("**Board**") on 16th February, 2023 pursuant to the provisions of Section 161 of the Companies Act, 2013 ("**Act**") w.e.f. 29th March, 2023 to hold office for a term of three (3) years i.e. upto 28th March, 2026.

The Board in compliance of Section 10A(2) of the Banking Regulation Act, 1949 read with Reserve Bank of India's Notification dated 24th November, 2016 and considering present Board size and future growth plans, has been looking forward to expand its Board size by addition of senior qualified professionals having specialized knowledge & experience with diverse background covering Banking & Finance, Small-scale industry, Customer Service, Treasury, Financial Inclusion, Rural Banking and other relevant domains. Considering vast experience, specialized knowledge and skills of Ms. Kavita Venugopal in the areas of Banking & Finance, Risk Management, Economics, Business and Strategy, Customer Management, Leadership/Human Resource Management, Corporate Governance, Investment Banking/Fund Raising, Financing to SSI/SME and Mid Corporates, the NRC carried out her fit and proper assessment and the Board on the recommendation of NRC considered her suitable for appointment as Independent Director and recommended her appointment to the members for a period of 3 years w.e.f. 29th March, 2023 to 28th March, 2026.

Ms. Kavita Venugopal has been a career banker with over 35 years of experience including holding of leadership positions with various Multinational Banks and Private Sector Banks in India and she also has over 5 years of Board experience.

The Bank has received declaration from Ms. Kavita Venugopal that she meets the criteria for being appointed as Independent Director as provided under Section 149(6) of the Act and Regulation 16 (1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in respect of her appointment a notice of candidature under section 160 of the Act has also been received.

She is not disqualified/debarred from being appointed as Independent Director in terms of Section 164 of the Act, or by any order of Securities and Exchange Board of India ("**SEBI**"), Reserve Bank of India ("**RBI**") or any other such authority and has given her consent to act as Director of the Bank. In the opinion of the Board, she fulfils the conditions and criteria of independence for her appointment as prescribed under the relevant provisions of the Act and rules made thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Banking Regulation Act, 1949 and guidelines issued by the RBI, from time to time and she is independent of the management.

None of the Directors or any of the Key Managerial Personnel of the Bank and their relatives other than Ms. Kavita Venugopal herself and/or her relatives, are directly or indirectly, concerned or interested in the resolution set out at Item No. 1.

Her brief profile and other additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India is furnished as annexure to the Notice.

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

Item No. 2:

The Bank has always believed that Stock Options acts as an important tool to attract, engage and retain employees. It enables the Bank to enhance the employee engagement and reward the employees for their association & performance, motivate them to contribute to the long-term sustainable growth of the Bank and provide opportunities for long term wealth creation and a fulfilling & rewarding career with the Bank.

The Bank formulated its last ESOP scheme in 2020 with approval of the shareholders and considering the requirement of the next few years of ESOPs to attract and reward employees, the Board of Directors of the Bank (the "**Board**") at its meeting held on 10th March, 2023, on the recommendation of Nomination and Remuneration Committee (the "**NRC**") has proposed for adoption of a new scheme under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("**the SBEB & SE Regulations**"), under the name and style of **'AU Employees Stock Option Plan 2023' ("AU ESOP 2023") or 'AU Employees Stock Option Scheme 2023' ("AU ESOS 2023"),** covering 2,00,00,000 (Two Crores) options exercisable into equivalent number of equity shares of face value of Rs. 10/- (Rupees Ten Only) each**.**

The main features and other details of the AU ESOS 2023 as per Regulation 6 of the SEBI SBEB & SE Regulations are as under:

A. BRIEF DESCRIPTION OF THE SCHEME:

This employee stock option plan shall be called the "**AU Employees Stock Option Scheme 2023**" or "**AU ESOS 2023** " or "**AU Employees Stock Option Plan 2023**" or **"AU ESOP 2023"** and these expressions shall include any alteration(s), modification(s) and amendment(s) thereto.

The objectives of the AU ESOS 2023 are:

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 towards the Bank, having the opportunity to participate for their wealth creation with the growth of the Bank.

The NRC is empowered for administration and superintendence of AU ESOS 2023 and to formulate detailed terms and conditions of implementation of the AU ESOS 2023.

B. TOTAL NUMBER OF STOCK OPTIONS TO BE OFFERED AND GRANTED:

The total number of options to be granted under the AU ESOS 2023 is 2,00,00,000 (Two Crores) (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/- (Rupees Ten Only) each for one option.

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

The AU ESOS 2023 shall extend to:

i. an employee as designated by the Bank, who is exclusively working in India or outside India; or
ii. a director of the Bank, whether a whole-time director or not, including a non-executive director who is not a promoter or member of the promoter group;

but does not include:

i. an employee who is a promoter or a person belonging to the promoter group; or
ii. a director who, either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company; or
iii. an Independent Director as described in Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

D. REQUIREMENTS OF VESTING, PERIOD OF VESTING AND MAXIMUM PERIOD WITHIN WHICH THE OPTIONS SHALL BE VESTED:

Vesting of options shall be subject to continued employment of the concerned option grantee with the Bank on the vesting date and options granted under this AU ESOS 2023 would vest after one year but not later than six years from the date of grant of such Options.

In the event of death or permanent incapacity of an Employee, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest on the date of the death or permanent incapacity in accordance with AU ESOS 2023.

E. EXERCISE PRICE OR PRICING FORMULA:

The exercise price for options shall be linked to Market Price under AU ESOS 2023 and shall be determined by the NRC pursuant to Regulation 17 and other provisions of the SBEB & SE Regulations.

F. EXERCISE PERIOD AND THE PROCESS OF EXERCISE:

Any option grantee may exercise its vested options, at any time, within the exercise period i.e. Six (6) years from the date of 1st Vesting of the Options under the AU ESOS 2023. The option grantee shall have right to exercise all the vested options at one time or at various point of time within the exercise period. Further, all the vested options which are not exercised by the Option Grantee within the Exercise Period shall expire and right of Option Grantee to Exercise shall lapse upon expiry of Exercise Period.

In order to exercise the vested options, an option grantee shall serve a prior notice to the Bank specifying the intention to exercise the number of vested options and shall make the payment of the exercise price to the Bank.

In the event, the Bank terminates the employment of an option grantee with cause then all the options (vested but not exercised and unvested) shall lapse and in case termination is without cause then only unvested options shall lapse and all the vested option shall continue to be vested in such option grantee and the option grantee shall exercise the vested options in accordance with the terms and conditions laid down by the NRC. However, such option grantee shall be under an obligation to exercise all his/her vested options within thirty (30) days from the date of termination of employment or before relieving from the Bank, whichever is earlier, failing which the vested options of such option grantee shall lapse.

In the event of resignation by the option grantee, all the unvested option of such option grantee shall lapse and all the vested options of such option grantee shall continue to be vested in such option grantee which shall be exercised in accordance with the terms and conditions laid down by the NRC. However, such option grantee shall be under an obligation to exercise all his/her vested options within thirty (30) days from the date of his/her resignation or before relieving from the Bank, whichever is earlier, failing which the vested options of such option grantee shall lapse.

In the event of death of the option grantee while in employment of the Bank, all the unvested options shall vest immediately. All vested and unvested options shall be exercised by the legal heirs or nominees of the deceased option grantee as per the exercise period defined under the AU ESOS 2023.

In the event the Option Grantee suffers from Permanent Disability while he/she is in employment of the Bank, all the unvested Options shall vest immediately, and all vested and unvested options shall be exercised by him/her as per the exercise period defined under the AU ESOS 2023.

In the event of termination of employment of the option grantee due to any other reason which is not mentioned above, the NRC shall determine the terms and conditions relating to exercise of the vested options of such option grantee and the decision of the NRC shall be final in this regard. Further, in such event all unvested options shall stand cancelled.

In the event of retirement or early retirement or superannuation of the option grantee, all vested options as on the date of retirement may be exercised by the option grantee within the period as permitted by NRC and all unvested options shall vest as per original vesting schedule and may be exercised by the option grantee within the period as permitted by NRC.

G. THE APPRAISAL PROCESS FOR DETERMINING THE ELIGIBILITY OF EMPLOYEES:

Appraisal process for determining the eligibility to participate in the scheme, shall be decided by the NRC, 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.

H. MAXIMUM NUMBER OF OPTIONS & QUANTUM OF BENEFITS TO BE OFFERED PER EMPLOYEE AND IN AGGREGATE:

Maximum 10,00,000 (Ten Lakh) options may be granted to an eligible employee in a financial year under AU ESOS 2023. The Options to be granted under the AU ESOS 2023 shall not exceed 2,00,00,000 (Two Crores) in aggregate.

I. IMPLEMENTATION AND ADMINISTRATION OF SCHEME:

The NRC constituted by the Bank pursuant to the provisions of Section 178 of the Companies Act, 2013 shall be responsible for implementation and administration of the AU ESOS 2023.

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

The AU ESOS 2023 consist of new issuance of 2,00,00,000 (Two Crores) options entitling the option grantees to subscribe to an aggregate of 2,00,00,000 (Two Crores) fully paid-up equity shares of Bank of the face value of Rs. 10/- (Rupees Ten Only) each and it involves issuance of new shares.

K. AMOUNT OF LOAN TO BE PROVIDED FOR IMPLEMENTATION OF THE SCHEME BY THE BANK TO THE TRUST, ITS TENURE, UTILIZATION, REPAYMENT TERMS, ETC.:

Not Applicable

L. MAXIMUM PERCENTAGE OF SECONDARY ACQUISITION:

Not Applicable

M. DISCLOSURE AND ACCOUNTING POLICIES:

The Bank while implementing the AU ESOS 2023 shall follow the requirements of the 'Guidance Note on Accounting for employee share-based Payments' ("**Guidance Note**") and Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India ("**ICAI**") from time to time, including the disclosure requirements prescribed therein and as prescribed by SEBI, specifically under the SBEB & SE Regulations, RBI and any other regulatory authority.

N. METHOD OF OPTION VALUATION:

The Bank adopts two methods to account for stock grants, namely (i) the intrinsic value method and (ii) the fair value method. In terms of RBI guidelines, the fair value method is to be used to account for the stock options grants to the Whole Time Directors / Chief Executive Officers, Material Risk Takers and Control Functions. The Bank adopts intrinsic value method to account for the stock options grants to other employees. Further, any of the permissible method as per the applicable accounting standards and laws may be adopted for valuation of options with the approval of Board.

In case the Bank opts for expensing of share-based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if the Bank had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on Earnings Per Share ("**EPS**") of the Bank shall also be disclosed in the Directors' Report.

O. LOCK-IN PERIOD:

Equity Shares allotted to the Employees on exercise of options under the AU ESOS 2023 shall be freely tradeable and shall not be subject to lock-in.

P. TERMS & CONDITIONS FOR BUYBACK, IF ANY, OF SPECIFIED SECURITIES COVERED UNDER THESE REGULATIONS:

Not applicable

Q. APPLICABILITY OF MALUS AND CLAW BACK:

The benefits accrued and / or availed under the AU ESOS 2023 shall be subject to Malus and Claw back conditions in line with the extant Compensation Policy of the Bank and relevant RBI guidelines as amended from time to time.

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.

The Board of Directors recommends the passing of the Special Resolution as set out in Item No. 2 of the Notice.

Place: Dehradun
Date: 10th March, 2023

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

Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Annexure

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTOR BEING APPOINTED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36(3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA

Particulars	Ms. Kavita Venugopal (DIN: 07551521)
Age	66 Years
Date of first appointment on Board	29th March, 2023
Qualification	• Master of Business Administration, Faculty of Management Studies, University of Delhi • Bachelor of Arts, Economic Honours, Lady Shri Ram College, University of Delhi • Holder of Certificate program by FICCI Women on Corporate Boards Mentorship
Brief Resume including experience	Ms. Kavita Venugopal holds Master of Business Administration (MBA) from Faculty of Management Studies, University of Delhi & Bachelor of Arts (BA), Economic Honours from Lady Shri Ram College, University of Delhi and she has also completed Certificate program by FICCI Women on Corporate Boards Mentorship. She has been a career banker with over 35 years of experience including leadership positions with various Multinational Banks and Private sectors Banks in India. She was Chief Executive Officer (CEO) of Abu Dhabi Commercial Bank (ADCB), India from May, 2012 to December, 2014 and prior to that, she has led various teams at Standard Chartered Bank & ANZ Grindlays Bank apart from various other private sector banks. She is also holding directorships at few other listed and unlisted Companies. She has relevant knowledge and experience in the areas of Banking & Finance, Risk Management, Economics, Business & Strategy, Customer Management, Leadership/Human Resource Management, Corporate Governance, Investment Banking/Fund Raising and Financing to SME/SSI & Mid Corporates.
Nature of expertise in specific functional areas	• Banking & Finance • Risk Management • Economics • Business and Strategy • Customer Management • Leadership / Human Resource Management • Corporate Governance • Investment Banking / Fund Raising • Financing to SME and Mid Corporates
Other Directorship	• Munjal Showa Limited - Independent Director • A.G. Industries Private Limited - Non-Executive Director • Rockman Industries Limited - Independent Director
Name of listed entities from which the person has resigned in the past three years	None

Chairmanship/Membership of Committee(s) in other companies in which position of Director is held#	Chairperson of Audit Committee of Rockman Industries Limited
Relationship with other Directors, Managers, and other Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank	Nil
No. of Board meetings attended during the year till date	NA
Terms and conditions of appointment or re-appointment	For a term of 3 years w.e.f. 29th March, 2023, subject to approval of shareholders and not liable to retire by rotation.
In case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements	Please refer explanatory statement for item no. 1.
Remuneration last drawn	NA
Remuneration sought to be paid	She is entitled to a compensation (Fixed Remuneration) not exceeding Rs. 20,00,000/- (Rupees Twenty Lakh Only) per annum as may be approved by Nomination & Remuneration Committee and Board from time to time. She is also entitled to a sitting fee of Rs. 80,000/- (Rupees Eighty Thousand Only) for each Board Meeting attended & Rs. 40,000/- (Rupees Forty Thousand Only) for each Committee Meeting attended as a member or such other amount as sitting fee as may be approved by Board from time to time.

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

A SCHEDULED COMMERCIAL BANK

5 YEARS OF BANKING

AU SMALL FINANCE BANK LIMITED

Corporate Office: 5th Floor, E-Wing, Kanakia Zillion, Junction Of CST and LBS Road, Kurla West, Mumbai - 400070

Head Office: Bank House, Mile 0, Ajmer Road, Jaipur, Rajasthan - 302001

www.aubank.in /aubankindia /aubankindia

AU 0101
For Video Banking
Download

WhatsApp Banking
83 83 83 83 99

Chatbot
To chat with us
visit **www.aubank.in**

Reach us on
1800 1200 1200 (Toll-free)
customercare@aubank.in

Missed Call Banking
For Account Balance: **1800 120 2586**
For Mini-Statement: **1800 121 2586**