

AU SMALL FINANCE BANK LIMITED

AU EMPLOYEES STOCK OPTION SCHEME 2023 (AU ESOS 2023)

**(Approved by Shareholders on April 30, 2023 and thereafter amended on
February 28, 2026)**

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SECTION 1 - SHORT TITLE, EXTENT, COMMENCEMENT AND TERM OF AU ESOS 2023

- 1.1. 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.
- 1.2. The AU ESOP 2023 has been formulated by the Bank at its Board meeting held on 10th March, 2023 and approved by shareholders’ on April 30, 2023 in accordance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“SEBI (SBEB & SE) Regulations”). The amendment in scheme is approved by Board on January 20, 2026 and by shareholders on **February 28, 2026**.
- 1.3. The AU ESOP 2023 after receiving approval from the Shareholders of the Bank shall continue to be in force until:
- (i) the Nomination and Remuneration Committee (“**NRC**”) (Compensation Committee *as defined herein below under section 3.1 (g)*) or the Board of Directors (“**Board**”), subject to applicable laws, terminates the Plan;
 - (ii) the date on which all the Options (as defined below) available for issuance under AU ESOP 2023 have been issued and exercised.



SECTION 2 - OBJECTIVE OF THE AU ESOP 2023

2.1. The underlying purpose of the AU ESOP 2023 is:

- (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.



SECTION 3 - DEFINITIONS AND INTERPRETATION

3.1. Definitions


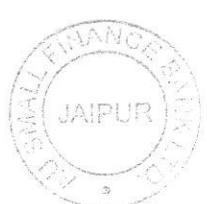

In this AU ESOP 2023, the following terms/expressions including their grammatical variations or cognate expressions shall have the following meaning unless the context requires otherwise:

(a)	Applicable Law	means every law relating to equity-based compensation plan including but not limited to the Companies Act, 2013 and any statutory modification(s) or re-enactment(s) with respect to the same, Securities and Exchange Board of India Act, 1992, SEBI (SBE & SE) Regulations and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and all relevant statutes, laws, regulations, ordinances, rules, judgments, orders, enactments, decrees, bye-laws, approvals, directives, guidelines, policies, requirements or other governmental restrictions or any similar form of decisions, or determination by, or any interpretation of administrative order having the force of law in India of any of the foregoing by any Government Authority having jurisdiction over the matter in question.
(b)	Bank	means AU SMALL FINANCE BANK LIMITED a company duly incorporated and registered under the provisions of the Companies Act, 1956 and a Banking Company duly registered as Scheduled Commercial Bank registered under second schedule of the Reserve Bank of India Act, 1934 having its registered office at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan.
(c)	Board	means the Board of Directors of the Bank, which term shall include the Nomination and Remuneration Committee, or any other Committee of the Bank that the Board has constituted /may constitute to exercise its powers.
(d)	Cause	means - (a) the failure of the Employee to achieve assigned performance targets and objectives, (other than any such failure resulting from retirement, death or Disability); (b) engagement of the Employee in willful, reckless or grossly negligent misconduct which is determined by the NRC to be detrimental to the interest, reputation, etc. of the Bank or any of its affiliates; or (c) the Employee is found guilty of or convicted for felony, fraud, moral turpitude, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information of the Bank to any third party; or (d) employment of the Employee in any other organization or provision of services by the Employee for any other organization; or (e) engagement of the Employee in activities which are materially detrimental to the business or interests of the Bank, its subsidiaries or its employees; or





		<p>(f) breach by the Employee of terms and conditions of employment and/or of the Letter of Grant and/or of the Plan on the part of the Employee or</p> <p>(g) Employee remains absent frequently or without notice for a period to as mentioned under Human Resource Policy of the Bank.</p>
(e)	Change in Capital Structure	means a change in the capital structure of the Bank as a result of re-classification of Shares, splitting up of the face value of Shares, subdivision of Shares, conversion of Shares into other Shares or securities and/or any other change in the rights or obligations in respect of Shares.
(f)	Companies Act, 2013	means the Companies Act, 2013 along with the rules thereto and includes any statutory modifications or re-enactments thereof.
(g)	Compensation Committee	Nomination and Remuneration Committee (NRC) is designated as the Compensation Committee for the purposes of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and is empowered for administration, superintendence and implementation of ESOP Schemes.
(h)	Corporate Actions	<p>means any one of the following actions/events by or in relation to the Bank:</p> <p>(a) issue of bonus or rights shares; or</p> <p>(b) merger, de-merger, spin-off, consolidation, amalgamation, sale of business (except to a subsidiary) or other reorganization or restructuring of the Bank in which all the shares are converted into or exchanged for:</p> <ul style="list-style-type: none"> • issue of different class of securities of the Bank; or • any securities of any other issuer; or • cash; or • other property; or • sale, lease, or exchange of all or substantially whole of the assets/undertaking of the Bank to any other bank/entity (except to a subsidiary); or <p>(c) adoption of a scheme of liquidation, dissolution or winding up by shareholders of the Bank; or</p> <p>(d) change in structure, business model of the Bank; or</p> <p>(e) any other event, which in the opinion of the Board has a material impact on the business of the Bank.</p>
(i)	Disability	means permanent physical/mental incapacity of an Employee to perform his/her duties as per the terms of employment of the employee.
(j)	Effective Date	shall mean April 30, 2023 i.e. the date on which AU ESOP 2023 is approved by the Shareholders.
(k)	Employees	<p>shall means:</p> <p>(i) an employee as designated by the Bank, who is exclusively working in India or outside India; or</p>

		<p>(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;</p> <p>but does not include-</p> <p>(a) an employee who is a promoter or a person belonging to the promoter group; or</p> <p>(b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the Bank.</p> <p>(c) 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.</p> <p>It is clarified that an employee shall not cease to be an employee in the case of:</p> <p>(i) any leave of absence approved by the Bank; or</p> <p>(ii) transfer of an employee from one office to another office of the Bank.</p>
(l)	Employment Date	shall mean the date on which the employment of an Employee becomes effective as per the employment contract/appointment letter of such employee.
(m)	AU Employees Stock Option Plan 2023 (AU ESOP 2023)/ AU Employees Stock Option Scheme 2023 (AU ESOS 2023)	shall have the same meaning as specified in Section 1.1.
(n)	Exercise	means the exercise in pursuance to the AU ESOP 2023 of vested options by an Option Grantee by giving notice of exercise in the format prescribed in Schedule 1 attached to this plan or as prescribed on the webportal used by the Bank from time to time for purchase or subscription of the underlying shares in accordance with the procedure laid down by the Bank for exercise of the options and accompanied by the exercise price payable for such shares.
(o)	Exercise Date	means the date on which option grantee makes the payment of exercise price and submits the notice of exercise.
(p)	Exercise Period	means the time period of Six years starting from the 1 st Vesting Date, within which an Option Grantee should exercise his/her right to apply for Shares against the vested option in pursuance to the AU ESOP 2023.
(q)	Exercise Price	means the price per Share payable by the Option Grantee in order to exercise the Options granted to him/her as set out in his/her Letter of Grant.




(r)	Grant(s)	means the process for issuing Options to the Employees under this plan by the Bank.
(s)	Grant Date	means the date on which the NRC approves the grant.
(t)	Government Authority	means – (a) central, state, city, municipal or local government, governmental authority or political subdivision thereof having jurisdiction; (b) any agency or instrumentality of any of the authorities referred to in sub-clause (a); (c) any regulatory or administrative authority, body or other organization having jurisdiction, to the extent that the rules, regulations, standards, requirements, procedures or orders of such authority, body or other organization have the force of the Applicable Law; or (d) any court or tribunal having jurisdiction.
(u)	Letter of Grant	means the letter issued by the Bank intimating to the Employee about the Options Granted or agreed to be Granted to the Employee for acquiring a specific number of Shares at the Exercise Price.
(v)	Market Price	means the latest available closing price on a recognized stock exchange on which the shares of the Bank are listed on the date immediately prior to the relevant date. Explanation: If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered as the market price.
(w)	Nomination and Remuneration Committee (“NRC”)	The Nomination and Remuneration Committee (“NRC”) shall be a committee of such members of the Board of Directors of the Bank as provided under section 178 of the Companies Act, 2013, as amended or modified from time to time, Regulation 19 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and RBI Circular No. RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated 26 th April, 2021.
(x)	Options or Stock Options	option means the option given to an employee which gives such an employee a right to purchase or subscribe at a future date, the shares offered by the Bank, directly or indirectly, at a pre-determined price.
(y)	Option Grantee	means an employee having a right but not an obligation to exercise an option in pursuance of AU ESOP 2023.
(z)	Promoter & Promoter Group	shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
(aa)	Relevant Date	(i) in the case of grant, the date of the meeting of NRC on which the grant is made; or (ii) in the case of exercise, the date on which the notice of exercise is given to the Bank by employee of the Bank.
(bb)	Resultant Shares	means the equity shares issued in lieu of the Shares of the Bank for options due to Change in Capital Structure of the Bank or due to any Corporate Actions as mentioned in this Plan.





(cc)	SEBI (SBEB & SE) Regulations	shall mean Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended and re-enacted from time to time and includes any clarifications or circulars issued thereunder.
(dd)	Secretarial Auditor	“secretarial auditor” means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
(ee)	Share Capital	means the paid-up share capital of the Bank.
(ff)	Shares or Equity Shares	means equity shares of the Bank.
(gg)	Underlying Shares	means the shares underlying the options on the basis of one option entitling an option grantee to one equity share.
(hh)	Unvested Options	means Options which have not been Vested to option grantee
(ii)	Vesting (Vest, Vesting and Vested to be construed accordingly)	means the process by which the employee becomes entitled to receive the benefit of a grant made to him/her under AU ESOP 2023, subject to fulfillment of vesting conditions.
(jj)	Vesting Conditions	means the conditions subject to fulfillment of which the Options would vest in an option grantee.
(kk)	Vesting Period	means the period during which the vesting of the options granted to the option grantee under the AU ESOP 2023 takes place.
(ll)	Vested Option	means an option in respect of which the relevant Vesting Condition(s) have been satisfied and the option grantee has become eligible to exercise the rights.

3.2. Interpretation

- (a) In this AU ESOP 2023 (unless the context requires otherwise), any express reference to an enactment (which includes any legislation in any jurisdiction) includes references to the enactment and any subordinate legislation (including regulations) as amended, from time to time.
- (b) In this AU ESOP 2023, unless the contrary intention appears:
- (i) any reference to a contract, deed, indenture, constitutional document, or other agreement includes references to that contract, deed, indenture, constitutional document or other agreement as amended, modified, supplemented, superseded or terminated, on or after the date thereof;
 - (ii) any reference to including and include shall be construed to mean “including without limitation” and “include without limitation” respectively;
 - (iii) any reference to a person shall be construed so as to include any individual, firm, Bank, unincorporated association of persons, government, state or agency of a state or any joint venture, association, partnership, or employee representative body (whether or not having separate legal personality);





- (iv) any reference to time shall mean local time in the relevant jurisdiction unless otherwise stated;
- (v) references to INR or Indian Rupees means lawful currency of India;
- (vi) Where there is any inconsistency between the definitions set out in Clause 3.1 and the definitions set out in any other clause or schedule, then for the purposes of construing such clause or schedule, the definitions set out in such clause or schedule shall prevail;
- (vii) words importing the singular shall include the plural and vice versa;
- (viii) references to a person save as otherwise provided in this AU ESOP 2023 or save as otherwise may be reasonably inferred shall include the successors or permitted assigns of that person (immediate or otherwise);
- (ix) The headings in this AU ESOP 2023 do not affect its interpretation and are for convenience only. Any schedule or annex to this Plan shall take effect as if set out in this Plan and references to this Plan shall include its schedules and annexure;
- (x) a reference to a recital, clause, sub clause, paragraph, sub-paragraph, schedule, or item is a reference to a recital, clause, sub-clause, paragraph, sub-paragraph, schedule, or item of this AU ESOP 2023;
- (xi) For the purposes of any calculation under this AU ESOP 2023, any fraction will be rounded up or down to the nearest integer;
- (xii) any references to "month" shall, unless a contrary intention appears, mean a continuous period of thirty (30) days from (and excluding) the date of the event where applicable, else a calendar month and "year" shall, unless a contrary intention appears, mean a continuous period of twelve (12) months from (and excluding) the date of the event where applicable, else a continuous period of twelve (12) calendar months and "calendar year" shall, unless a contrary intention appears, mean a continuous period of twelve (12) calendar months commencing on January 1st and ending on December 31st.



SECTION 4 - AUTHORITY, CEILING AND ADMINISTRATION OF THE AU ESOP 2023

4.1. The shareholders on the effective date have approved, by way of special resolution, the grant of 2,00,00,000 (Two Crores) options exercisable into 2,00,00,000 (Two Crores) fully paid-up Equity Shares of the Bank of face value of Rs. 10 each, in aggregate, to be issued and allotted by the Bank to the employees of the Bank in accordance with the AU ESOP 2023 and have also authorized the NRC to design, administer and supervise the AU ESOP 2023 by itself in accordance with the provisions hereof and of applicable law and under the general direction and supervision by the Board.

The Shareholders of the Bank vide special resolution passed on February 28, 2026, approved the grant of an additional 3,00,00,000 (Three Crore) Options, exercisable into 3,00,00,000 (Three Crore) fully paid-up equity shares of the Bank of face value Rs. 10 each, to be issued and allotted to eligible employees in accordance with the AU ESOP 2023, thereby increasing the aggregate number of Options under the AU ESOP 2023 to 5,00,00,000 (Five Crore) Options.

4.2. An eligible employee may be granted up to maximum of 10,00,000 (Ten Lakhs) options under the AU ESOP 2023 in a financial year.

4.3. The NRC is empowered for administration and superintendence of AU ESOP 2023 and to formulate detailed terms and conditions for implementation of the AU ESOP 2023. All the rights, powers, duties, or liabilities of the Board, to the extent delegated, shall be discharged by the NRC including allotment of shares on exercise of options. Further, all questions of interpretation of this AU ESOP 2023 shall be determined by the NRC and such determination shall be final and binding upon all persons having an interest in this AU ESOP 2023.

4.4. The NRC shall frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the Bank and its employees, as applicable and as may specified by Board in this regard.

4.5. The NRC shall determine the following in relation to the AU ESOP 2023:

- (a) formalizing the eligibility criteria and appraisal process of the employees to participate in the AU ESOP 2023 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.
- (b) identification of the employees to whom options shall be granted from time to time as per the provisions of AU ESOP 2023;
- (c) the number of Options to be granted under the AU ESOP 2023 to each employee subject to the ceiling limits mentioned in Clause 4.2 of AU ESOP 2023;

- (d) the time at which the options are to be granted;
 - (e) the number of tranches in which the options are to be granted to each employee;
 - (f) the terms and conditions subject to which the granted options would vest to the option grantee i.e. lay down the vesting conditions;
 - (g) the date of vesting of the options granted i.e. the vesting date and the vesting period;
 - (h) conditions under which the granted options may lapse;
 - (i) the exercise price or formula for arriving at the same;
 - (j) the exercise period, process of exercise and changes thereto;
 - (k) number of shares to be covered under each Option to be granted to the employee;
 - (l) the terms and conditions subject to which an Option Grantee shall have a right to exercise all the vested options at one time or at various point of time within the exercise period;
 - (m) the method to be used for valuation of the Options;
 - (n) the procedure for making a fair and reasonable adjustment to the number of Options and/or to the Exercise Price in case of change in Capital Structure and/or Corporate Actions;
 - (o) the procedure and terms for the grant, vesting and exercise of options and/or lapse thereof in case of Options Grantees who are: (i) on long leave; (ii) have ceased or have suffered Disability;
 - (p) obtaining permissions from and making periodic reports to regulatory authorities, as may be required, and ensuring compliance with applicable laws;
 - (r) the treatment of the vested options: (i) after termination of employment of the Option Grantee; or (ii) if the same is not exercised by the Option Grantee during the exercise period;
 - (s) number of Options to be reserved for the employees who will join the Bank in the future;
 - (t) exercise such other powers as may be necessary or expedient in connection with implementation or administration of the Plan including modalities specified under Section 62 of Companies Act, 2013 read with relevant rules.
- 4.6.** The terms, conditions, policies, rules, etc. framed by the NRC, in pursuance of AU ESOP 2023, shall be final and binding on all the Employees of the Bank.



SECTION 5 - ELIGIBILITY, GRANT PROCEDURE, VESTING SCHEDULE AND EXERCISE PRICE

5.1. Eligibility

The specific employees to whom the options will be granted and their eligibility criteria, shall be determined by the NRC.

5.2. Grant Procedure

- (a) Options shall be granted to the Employees by issuance of Letter of Grant. The Letter of Grant will be issued by a person, authorized in this behalf by the NRC. The Letter of Grant shall contain the details with respect to options granted under the AU ESOP 2023 such as number of options, grant date, vesting date, exercise period, exercise price, formalities to be fulfilled, etc. and other terms and conditions for exercise of the options.
- (b) The Employees identified for Grant of Options shall be furnished with the disclosures prescribed under the SEBI (SBEB & SE) Regulations.

5.3. Vesting Schedule

- (a) Options granted under this AU ESOP 2023 would vest after One year but not later than Six years from the date of grant of such options.
- (b) Vesting of Options shall be subject to continued employment of the concerned Option Grantee with the Bank on the Vesting Date.
- (c) 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, all the unvested options shall vest on the date of the death or permanent incapacity in accordance with Clause 7.3 and 7.4 respectively.

5.4. Exercise Price:

The exercise price for options shall be linked to Market Price under AU ESOP 2023 and shall be determined by the Nomination & Remuneration Committee pursuant to Regulation 17 and other provisions of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

The exercise price shall not be less than the face value of an equity share of the Bank in compliance of the provisions of the Companies Act, 2013.



SECTION 6 - EXERCISE OF OPTIONS AND ISSUE OF SHARES

- 6.1. 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 ESOP 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 Options shall lapse upon expiry of Exercise Period.
- 6.2. In order to exercise the vested options, an Option Grantee shall serve a prior notice in the format prescribed in Schedule 1 attached to AU ESOP 2023 or as prescribed on the web portal used by the Bank for ESOP administration or in any other prescribed format ("**Exercise Notice**") to the Bank specifying the intention to exercise the number of vested options, the Option Grantee wishes to exercise.
- 6.3. The Option Grantee shall make the payment of the exercise price to the Bank through the mode prescribed on the web portal or as communicated to the option grantees from time to time. No amount is payable at the time of grant or vesting of option by the option grantee and option grantee shall make the payment of exercise amount at the time of exercise of options. Further, any amount paid by the employee at the time of the exercise of the options will not be forfeited if the employee does not exercise the Options within the exercise period and will be refunded back to employee.
- 6.4. The Option Grantee shall bear all taxes applicable on exercise of the vested options and perquisite on allotment of underlying shares from the Bank to the Option Grantee.
- 6.5. The Bank upon receipt of exercise amount and applicable tax amount shall allot underlying shares to option grantee after obtaining approval of NRC for allotment.
- 6.6. Notwithstanding anything contained herein or elsewhere in this AU ESOP 2023, it is hereby clarified that the Bank is under no obligation to either buy-back the shares or NRC to pay any Option Grantee under this Clause as a result of the inability or unwillingness of the Option Grantee to acquire any Shares, whether due to lack of funds, any restriction under the law or otherwise.
- 6.7. Notwithstanding anything contained herein or elsewhere in the AU ESOP 2023, if the exercise of options within the exercise period is prevented under the applicable laws, the NRC/ Board may defer or refuse to permit the exercise of the options till such time as prohibited by the applicable laws or regulations ("**Prohibition**"). Further, that the NRC/Board shall have power and is hereby authorized to cancel all or any of the options granted under the AU ESOP 2023 if the same is required under any applicable laws. In the event of such Prohibition or cancellation, the Bank shall not be liable to pay any compensation or similar payment to the Option Grantee, who cannot exercise the options due to the Prohibition or cancellation, for any loss suffered due to such Prohibition/cancellation.



- 6.8. If the vested options expires as per the conditions mentioned in the AU ESOP 2023, then such vested options shall become available for future grant under this plan, provided the plan is not terminated.
- 6.9. Where the options, vested or not, lapse due to any reason, the NRC will have right to issue/re-issue the options to the eligible employees as long as the aggregate number of the options shall not represent more than shares of the Bank as mentioned in clause 4.1 above at any given point of time.
- 6.10. The Option Grantee shall not have any right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of options granted to him/her, till the Underlying Shares are issued to the said Option Grantee upon exercise of the vested option.
- 6.11. The Options granted to the Option Grantee under this Scheme shall not be transferable to any person. Further, no person other than the Option Grantee to whom Options is granted under AU ESOP 2023 shall be entitled to the benefits arising out of such Exercise of Options.
- 6.12. The Options granted to the option grantee under this Scheme shall not be pledged, hypothecated, mortgaged, or otherwise alienated in any other manner. The Bank shall not recognize any pledge, hypothecation, mortgage, or other alienation in violation of this Clause.



SECTION 7 - TERMINATION OF EMPLOYMENT AND TRANSFER OF AN EMPLOYEE

7.1. Termination of Employment by the Bank

In the event, the Bank terminates the employment of an Option Grantee:

- (a) with Cause then all the Options (Vested but not Exercised and Unvested) shall lapse.
- (b) 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.

7.2. Resignation by the Option Grantee

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 and no separate NOC shall be required from resigning employee/option grantee in such a case. However, in the occurrence of any of the Cause before or after resignation of the Option Grantee, this clause shall not be applicable, and Clause 7.1(a) shall be applicable.

7.3. Death of the Option Grantee

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 exercisable by the legal heirs or nominees of the deceased Option Grantee as per the exercise period defined in Clause 6.1.

7.4. Disability of the Option Grantee

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 or **nominee of Option Grantee** as per the exercise period defined in Clause 6.1.



7.5. Termination of the employment due to any other reason

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.

7.6. Retirement/Superannuation of the Option Grantee

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.

At the time of retirement or early retirement or superannuation, 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.

In the event of death of the option grantee after retirement, all the unvested options shall vest immediately. All vested and unvested options shall be exercised by his/her legal heirs or nominees of the deceased option grantee as per the exercise period defined under the AU ESOS 2023.



SECTION 8 - CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 8.1.** In the event of any Change in Capital Structure or Corporate Action carried out by the Bank, any options that will be granted under the scheme / granted but are not exercised shall be appropriately adjusted by the NRC.
- 8.2.** The adjustment due to Change in Capital Structure or due to Corporate Action will be to the number of options and/ or Exercise Price and/ or to the number of Shares to be allotted, as the case may be, which will be at the discretion of the NRC, subject to Applicable Law.
- 8.3.** In the event of Change in Capital Structure or any Corporate Action to be carried out by the Bank before the Options granted under this Scheme are exercised, the Option Grantee shall be entitled to such number of Resultant Shares as appropriately adjusted considering that all outstanding Options (including granted but not vested/ vested but not exercised) have been exercised by him/ her before such Change in Capital Structure/ Corporate Action had taken place and his/ her rights for exercising of Options shall stand correspondingly adjusted.
- 8.4.** For any other corporate action not mentioned above, the treatment of options (including the options vested/ to be vested/ exercised/ to be exercised/ available for Grant and those available for re-issue) shall be decided by the NRC, subject to Applicable Law.

The following shall, inter alia, be taken into consideration by the NRC before making any adjustments:

- (i) In case the provisions of the Applicable Law restrict/ prohibit the issue of the resultant shares at a discount, the exercise Price shall not be less than the amount as prescribed under Applicable Law;
- (ii) The number of options and/ or exercise price and/ or number of Shares to be allotted shall be adjusted in a manner such that total value to the option grantee of the options remains as nearly as possible the same after the Change in Capital Structure/ Corporate Action;
- (iii) The vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holder(s);
- (iv) In case of bonus issue, NRC may adjust number of options and/ or exercise price and/ or allot such number of bonus shares at the time of issuing Shares against original Options, as part of adjustment to the number of original Options on account of bonus adjustments, that post allotment of such bonus shares the Option Grantee is at the same shareholding level as she/ he would have been at the time of issuance of Shares against her/ his original Options prior to the bonus issue. The Option Grantee will not be required to pay any additional consideration for such allotment of bonus shares on account of bonus adjustments.



SECTION 9 - AMENDMENT AND TERMINATION OF AU ESOP 2023

- 9.1.** The NRC shall have a right to amend, alter or terminate the AU ESOP 2023 ("**Variation**"), at any time, provided:
- (a) approval with respect to the Variation is obtained from the Shareholders of the Bank;
 - (b) such variation is not detrimental to the interests of the Employees;
 - (c) notice for passing the special resolution, as mentioned herein above, shall disclose full details of the Variation, the rationale therefore and the details of employees who are beneficiaries of such Variation.
- 9.2.** Notwithstanding anything to the contrary contained herein above, the NRC/Board may, without any reference to or consent of the Shareholders, amend the AU ESOP 2023 or the Grant in order to meet regulatory requirements including but not limited to compliance of the provisions of the Applicable Laws.
- 9.3.** The Bank may re-price the Options, which are not exercised, whether they have been Vested or not, if the AU ESOP 2023 is rendered unattractive due to fall in the price of the Shares in the stock market.

Provided that the Bank, ensures that such re-pricing shall not be detrimental to the Interest of the Employees and approval of the Shareholders in general meeting has been obtained for such re-pricing.



SECTION 10 - OTHER TERMS AND CONDITIONS

- 10.1.** The AU ESOP 2023 shall be subject to all the Applicable Laws and approvals, if any, required from the Government Authorities.
- 10.2.** In case, the Bank is not able to obtain authority/approval from any concerned regulatory body or under any Applicable Laws, with respect to lawful issuance and/or redemption of any of the Options under this Plan, the Bank shall be relieved and wholly discharged from any or all liabilities arising out of the failure on part of the Bank to issue and/or redeem such Options.
- 10.3.** The rights granted to the employee under the AU ESOP 2023 shall not entitle the Employee to exercise any right or additional right to claim compensation and/or damages as a consequence of loss or termination of his/her office or employment with the Bank for any reason whatsoever (whether or not termination of employment of such Employee is ultimately held to be wrongful or unfair).
- 10.4.** The Grant or Vesting of Options to the Option Grantee in pursuant to this AU ESOP 2023, shall not constitute an express or implied promise of continued employment of any of the Option Grantee in the Bank for any time period and shall not interfere with the Bank's right to suspend, retrench, discipline or terminate such Option Grantee from the Bank, at any time, with or without cause.
- 10.5.** Nothing contained in the AU ESOP 2023 shall be construed to prevent the Bank from taking any Corporate Action which is deemed by the Bank to be appropriate or is in its best interest, whether or not such Corporate Action will have an adverse effect on the AU ESOP 2023. Neither the Option Grantee nor its beneficiary or any other person shall have any right to exercise any claim against the Bank as a result of such Corporate Action.
- 10.6.** The Employee shall ensure that there is no violation of any regulations relating to insider trading as may be applicable including but not limited to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 as amended from time to time.
- 10.7.** Nothing contained in the AU ESOP 2023 shall be construed to prevent the Bank from implementing any other new employee ownership plan which is deemed by the Bank to be appropriate or is in best interest of the Bank, whether or not such other action would have any adverse impact on the AU ESOP 2023 or any grant made under the AU ESOP 2023. No Employee or any other person shall have any right or claim against the Bank due to the action, as mentioned herein above, is taken by the Bank.
- 10.8.** In respect of any issues arising in pursuance of AU ESOP 2023, the decision of the NRC, as narrated in this Plan, shall be final and binding on all the concerned persons and/or institutions.
- 10.9.** During the term of existence of the Plan all applicable provisions of the Companies Act, 2013 and rules, regulations issued by Ministry of Corporate Affairs and any other governing law(s) shall be applicable on AU ESOP 2023, all applicable rules, regulation and guidelines issued by Securities



and Exchange Board of India (“SEBI”) shall be applicable on the said scheme and to that extent AU ESOP 2023 shall stand modified ipso facto.

10.10. Listing

In case new issue of Shares is made under the Plan, the Shares so issued shall be listed immediately on recognized stock exchanges where the existing shares of the Bank are listed, subject to the following conditions:

- (a) AU ESOP 2023 shall be in compliance with SEBI (SBEB & SE) Regulations;
- (b) A statement as specified by Securities and Exchange Board of India (“SEBI”) in this regard is filed and the Bank has obtained an in-principle approval from the concerned recognized stock exchanges where shares are listed. However, till the time the in-principle approval is not obtained from the concerned recognized stock exchanges, the Bank shall appoint a registered merchant banker for the implementation of AU ESOP 2023;
- (c) As and when an exercise is made, the Bank notifies the concerned recognized stock exchange(s) as per the statement as specified by SEBI in this regard.

10.11. 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.

10.12. The Board shall at each annual general meeting place, before the Shareholders of the Bank, a certificate from the Secretarial auditors of the Bank that the AU ESOP 2023 has been implemented in accordance with SEBI (SBEB & SE) Regulations and is in accordance with the special resolution passed by the Bank, in respect to the same, in the general meeting.

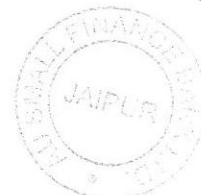
10.13. In addition to the information that the Bank is required to disclose, in relation to the employee benefits under the Companies Act, 2013, the Board of the Bank shall also disclose the details of the implemented AU ESOP 2023, as specified by SEBI in this regard.

10.14. Accounting policies


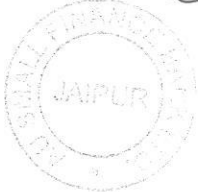

The Bank while implementing the AU ESOP 2023 shall follow the requirements of the ‘Guidance Note on Accounting for employee share-based Payments’ (“Guidance Note”) and Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (“ICAI”) from time to time, including the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

10.15. The Grant of Options does not form part of Options Grantee’s entitlement or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement of have Options granted to him.

10.16. The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise Options in whole or in part.

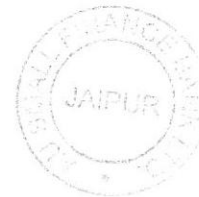


- 10.17.** Participation in this Plan shall not be construed as any guarantee on return on any investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investment is that of the Employee alone.
- 10.18.** All shares allotted on exercise of options will rank pari-passu with all other Shares of the Bank for the time being in issue.
- 10.19.** The Board of Directors shall, inter alia, disclose either in the Directors' report or in the annexure to the Director's report for details of ESOP granted, vested, exercised, lapsed etc. during the year and such other disclosures as may be mandated by law.



SECTION 11 - TAX IMPLICATIONS AND DEDUCTION OF TAX

- 11.1.** The Employees to be informed that there may be tax consequences as a result of purchase or disposition of the Shares pursuant to this Plan. The Employees shall seek independent tax advice and shall not rely upon the Bank for any tax advice.
- 11.2.** Each Employee shall be solely responsible for any tax, duties, cess or any other levies as may be imposed by the prevailing Applicable Laws on the Options from time to time. In the event of any levy in form of tax on Option(s) as perquisites or in any other form, being imposed on the Bank or on the Employees in relation to the Options granted under AU ESOP 2023 to him/her, the Employee shall be solely liable for the same.
- 11.3.** The Bank shall have the right to deduct/recover from the salary of the Option Grantee, in connection with all Grants, any taxes required by law to be deducted at source/paid and to require any payments necessary to enable it to satisfy such obligation.



SECTION 12 - MISCELLANEOUS PROVISIONS

12.1. Pricing

All the applicable provisions of the Companies Act 2013, as amended from time to time, shall govern pricing of the Shares, arising out of exercise of Options and issued pursuant to this AU ESOP 2023, from time to time.

12.2. Valuation of options

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, 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.

12.3. The grant, vesting and exercise of options in case of employees who are on long leave

Employees who are on sanctioned leave as per Bank's policies shall be subject to general terms & conditions for grant, vesting and exercise of options as stipulated in the AU ESOP 2023 and as determined by NRC from time to time.

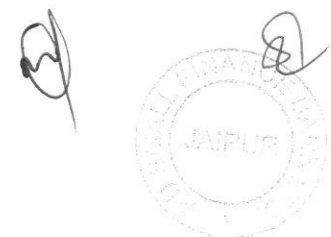
In any other case not mentioned above, the NRC shall determine the terms and conditions relating to grant, vesting and exercise of options and the decision of the NRC shall be final in this regard.

12.4. 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.

12.5. Governing Laws and Jurisdiction

- (a) The terms and conditions of the ESOP Plan shall be governed by and construed in accordance with the laws of India.
- (b) Subject to the Clause 12.6 herein below, only the courts and tribunals of competent jurisdiction at Jaipur, Rajasthan, India shall have exclusive jurisdiction with respect to any proceedings relating to this AU ESOP 2023.



12.6. Dispute Resolution

In case of any dispute, discrepancy or disagreement, which shall arise under or as a result of, or in pursuant to or in connection with this AU ESOP 2023 shall be referred to and determined by the NRC and any such determination/decision/interpretation by the NRC shall be binding on the affected Employees.

12.7. Severability

In the event any one or more of the provisions contained in this AU ESOP 2023 shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this AU ESOP 2023 and this AU ESOP 2023 shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein. Further, the AU ESOP 2023 shall be carried out as nearly as possible according to its original terms and intent.

12.8. Confidentiality

- (a) The employees must keep the details of this AU ESOP 2023 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, and co-employees or with any employee and/or associate of the Bank or that of its affiliates or any third party. In case, Option Grantee is found in breach of this confidentiality clause, the NRC has an undisputed right:
- (i) to terminate any agreement entered with such Option Grantee;
 - (ii) to cancel all the unexercised Options of such Option Grantee immediately; and/or
 - (iii) to take any other action as it deems fit. The decision and judgment of the NRC regarding breach of this confidentiality Clause shall be final, binding and cannot be questioned by the Option Grantee.
- (b) On acceptance of Grant, the Option Grantee agrees that the Bank may be required to disclose information of the Option Grantee during the process of implementation of this AU ESOP 2023 or while availing services relating to Options such as consulting, advisory services or Stock Options management services and/ or any other such incidental services. The Option Grantee, hereby, accords his/her consent that such confidential information regarding his Options, entitlements may be disclosed by the Bank to its officers, professional advisors, agents, and consultants as and when the need arises.

12.9. Notices

- (a) All notices of communication required to be given by the Bank to an Option Grantee by virtue of this AU ESOP 2023 shall be in writing/sent through web portal. The communications shall be made by the Bank in any one or more of the following ways:
- (i) Sending communication(s) to the address of the Option Grantee available in the records of the Bank; or
 - (ii) Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or

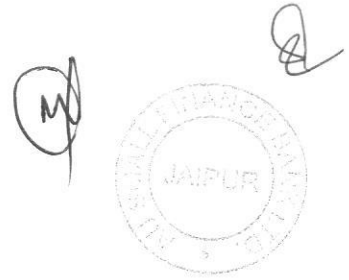
- (iii) Emailing the communication(s) to the Option Grantee at the official email address provided if any by the Bank during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.
- (b) Any communication to be given by an Option Grantee to the Bank in writing /over e-mail/through web portal in respect of AU ESOP 2023 shall be sent to the officer at the address mentioned below:

Designation: Company Secretary

Address: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

Tel. No.: 0141 4110060

E-mail ID: secretarial@aubank.in



Handwritten signature and circular stamp. The stamp is circular with the text "AU SMALL FINANCE BANK" around the perimeter and "JAIPUR" in the center.



SCHEDULE 1 - EXERCISE FORM FOR OPTIONS

(Please fill the form in BLOCK LETTERS only. All fields marked in * are mandatory).

To,

The Nomination and Remuneration Committee,
AU SMALL FINANCE BANK LIMITED
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur 302001, Rajasthan

Full Name First Name, Middle Name, Surname	
Full Postal Address	
Pin Code	Tel No.
Age	PAN
Employee Number	
Employee Name	
Residential Status as per the Income-tax Act, 1961	
E-mail:	
Date of termination (for ex-employees)	

Scheme Code	Grant Code	Vest Code	Vested	Exercised	Exercisable	Vest Date	Lapse Date	Exercise Qty

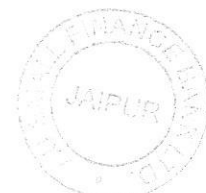
Note: Exercised includes the current exercise quantity.

I wish to exercise the above-mentioned options and have made the payment of exercise amount to the Bank as per details given here below:

Payment Details

Amount Rs (in figures): _____

Amount Rs (in word): _____



Details of Payment

Cheque/DD/EFT Transaction No	
Date of Payment	
Branch & Bank	

Note: The cheque should be crossed 'A/c Payee' and drawn payable to AU SMALL FINANCE BANK LIMITED

Please credit the equity shares allotted to me in the under mentioned account. I attach herewith copy of my CML or account statement or delivery instruction slip to enable the Bank to verify my account details.

Demat Account details

Depository Participant (DP) Name	
Name DPID/Client ID	

I accept that no shares shall be issued to me on exercise of the Options unless appropriate taxes as required under the applicable tax laws, are discharged.

I, solemnly declare that the above information is correct and knowledge.

Date: Place:	(Signature)
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