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**NOTICE OF EXTRA ORDINARY GENERAL MEETING OF THE BANK**

Notice is hereby given that an Extra Ordinary General Meeting of Shareholders of ESAF Small Finance Bank Limited (the Bank) will be held on Friday, January 03, 2020 at the Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur, PIN-680651, Kerala at 12.30 PM to transact the following businesses:

[This notice is a shorter notice of 2 days and requisite consents have been obtained from the shareholders pursuant to Section 101(1) of the Companies Act, 2013 in accordance with the Articles of Association of the Bank.]

**SPECIAL BUSINESS:**

**1. Initial Public Offer of Equity Shares**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Sections 23, 62(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013, and the rules and regulations made thereunder, (including any statutory modifications or re-enactment thereof, for the time being in force), (the **“Companies Act”**), and in accordance with and subject to the provisions of the Securities Contracts (Regulation) Act, 1956, and the rules made thereunder, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the **“SEBI Regulations”**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**“SEBI Listing Regulations”**) and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the RBI, SEBI and any other applicable laws, rules and regulations, in India or outside India (including any amendment thereto or re-enactment thereof for the time being in force) (collectively, the **“Applicable Laws”**), and in accordance with the provisions of the Memorandum of Association and the Articles of Association of the Bank and the equity listing agreements to be entered into between the Bank and the respective stock exchanges where the Equity Shares are proposed to be listed (**“the Stock Exchanges”**), and subject to any approvals as may be required from the Government of India (**“GoI”**), the Registrar of Companies, Kerala at Ernakulam (**“RoC”**), the Securities and Exchange Board of India (**“SEBI”**), the Reserve Bank of India (**“RBI”**) and all other appropriate statutory authorities and departments (the **“Regulatory Authorities”**) and subject to such conditions and modifications as may be prescribed, stipulated or imposed by any of them while granting such approvals, consents, permissions and sanctions, which may be agreed to by the Board of Directors of the Bank (hereinafter referred to as the **“Board”** which term shall include a duly authorized committee thereof for the time being exercising the powers conferred by the Board including the powers conferred by this resolution), the consent and approval of the shareholders be and is hereby accorded to create,

issue, offer and allot in the Offer such number of Equity Shares, for cash either at par or premium such that the amount being raised pursuant to the Offer aggregates up to Rs. 800,00,00,000 (Rupees Eight Hundred Crores Only) (with an option to the Bank to retain an over-subscription to the extent of 1% of the net offer, for the purpose of rounding off to the nearest integer to make allotment while finalizing the basis of allotment in consultation with the designated stock exchange), at a price to be determined, by the Bank and the Selling Shareholders, in consultation with the Book Running Lead Managers (“**BRLMs**”), through the book building process in terms of the SEBI Regulations or otherwise in accordance with Applicable Laws, at such premium or discount per Equity Share as permitted under Applicable Laws and as may be fixed and determined by the Bank and the Selling Shareholders, in consultation with the BRLMs in accordance with the SEBI Regulations, out of the authorized share capital of the Bank to any category of person or persons as permitted under Applicable Laws, who may or may not be the shareholder(s) of the Bank as the Board may, decide, including anchor investors, if any, one or more of the members of the Bank, eligible employees (through a reservation or otherwise), Hindu Undivided Families, foreign portfolio investors, venture capital funds, alternative investment funds, non-resident Indians, state industrial development corporations, insurance companies, provident funds, pension funds, National Investment Fund, insurance funds set up by army, navy, or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India, trusts/societies registered under the Societies Registration Act, 1860, development financial institutions, systemically important non-banking financial companies, Indian mutual funds, members of group companies, Indian public, bodies corporate, companies (private or public) or other entities (whether incorporated or not), authorities, and to such other persons including high net worth individuals, retail individual bidders or other entities, in one or more combinations thereof and/or any other category of investors as may be permitted to invest under Applicable Laws by way of the Offer in consultation with the Promoter Selling Shareholder (ESAF Financial Holdings Pvt Ltd), the BRLMs and/or underwriters and/or the stabilizing agent and/or other advisors or such persons appointed for the Offer and on such terms and conditions as may be finalised by the Board and the Promoter Selling Shareholder, in consultation with the BRLMs through an offer document, prospectus and/or an offering memorandum, as required, and that the Board and the Promoter Selling Shareholder, in consultation with the BRLMs may finalise all matters incidental thereto as it may in its absolute discretion think fit.”

**RESOLVED FURTHER THAT**, the Board may invite the existing shareholders of the Bank to participate in the Offer by making an Offer for Sale in relation to such number of Equity Shares held by them, and which are eligible for the Offer for Sale in accordance with the SEBI ICDR Regulations, as the Board and the Promoter Selling Shareholder may determine in consultation with the BRLMs, subject to the receipt of consent of SEBI, GoI, RBI, the Registrar of Companies and/or such other approvals, permissions and sanctions of all other concerned regulatory authorities and departments, if and to the extent necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions, at a price to be determined by the book building process in terms of the SEBI ICDR Regulations, for cash at such premium per share as may be fixed and determined by the Bank and the Selling Shareholders, in consultation with the BRLMs, to such category of persons as may be permitted

or in accordance with the SEBI ICDR Regulations or other applicable law, if any, as may be prevailing at that time and in such manner as may be determined by the Board and the Promoter Selling Shareholder, in consultation with the BRLMs and/or underwriters and/or the stabilizing agent and/or other advisors or such persons appointed for the Offer.

**“RESOLVED FURTHER THAT** the Equity Shares issued or transferred pursuant to the Offer shall be listed at one or more recognized stock exchanges in India.”

**“RESOLVED FURTHER THAT** in accordance with the provisions of Sections 23, 62(1)(c), 42 and any other applicable provisions, if any, of the Companies Act, 2013, and subject to such further corporate and other approvals as may be required, in-principle approval of the Board is hereby accorded to allot Equity Shares for an amount aggregating up to Rs. 300,00,00,000 (Rupees Three Hundred Crores Only), to certain investors prior to filing of the red herring prospectus with SEBI (**“Pre-IPO Placement”**), at such price as the Board may, determine, in consultation with the BRLMs, underwriters, placement agents and / or other advisors, in light of the then prevailing market conditions and in accordance with the Companies Act, the SEBI Regulations and other applicable laws, regulations, policies or guidelines. In the event of happening of Pre-IPO Placement, the size of the Offer would be reduced to the extent of Equity Shares issued under Pre-IPO Placement.”

**“RESOLVED FURTHER THAT** the Equity Shares issued or transferred pursuant to the Offer shall be listed at one or more recognized stock exchanges in India.”

**“RESOLVED FURTHER THAT** in relation to the Offer, the Board either by itself or a sub-committee constituted by the Board be and is hereby authorized to do such acts, deeds and things as the Board or such sub-committee in its absolute discretion deems necessary or desirable in connection with the Offer, including, without limitation, the following:

a. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the relevant registrar of companies and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus as applicable;

b. To finalize, settle, approve, adopt and file in consultation with the Promoter Selling Shareholder and the BRLMs where applicable, the DRHP, the RHP the Prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant governmental and statutory authorities or in accordance with Applicable Laws;

c. To decide in consultation with the Selling Shareholders and the BRLMs on the Offer Price; and to decide in consultation with the Promoter Selling Shareholder and the BRLMs, the actual Offer size, the timing, pricing, discount, reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer;

d. To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs;

e. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the DRHP, the RHP, the Prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, agreements with the registrar to the offer and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Offer, legal advisors, auditors, stock exchange(s), BRLMs and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of the Bank to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer;

f. To seek, if required, the consent and/or waiver of the lenders of the Bank, customers, parties with whom the Bank has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith;

g. To open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

h. To open and operate bank accounts of the Bank in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

i. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;

- j. To accept and appropriate the proceeds of the Offer in accordance with the Applicable Laws;
- k. To approve code of conduct as may be considered necessary by the IPO Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Bank and other employees of the Bank;
- l. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the IPO Committee or as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Bank with the relevant stock exchanges, to the extent allowed under law;
- m. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Bank to sign all or any of the aforestated documents;
- n. To authorize and approve notices, advertisements in relation to the Offer in consultation with the Promoter Selling Shareholder and the relevant intermediaries appointed for the Offer;
- o. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the Promoter Selling Shareholder and the BRLMs;
- p. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and / or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Bank to execute all or any of the aforestated documents;
- q. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank where necessary;

- r. To settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit;
- s. To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, Kerala at Ernakulam and the relevant stock exchange(s) where the Equity Shares are to be listed;
- t. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing;
- u. To delegate any of its powers set out under (a) to (q) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of the Bank;
- v. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI Listing Regulations or any other Applicable Laws;
- w. To approve the list of 'group of companies' of the Bank, identified pursuant to the materiality policy adopted by the Board, for the purposes of disclosure in the DRHP, RHP and Prospectus;
- x. Deciding, negotiating and finalising the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with applicable laws;
- y. Taking on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale;
- z. To withdraw the DRHP or the RHP or to decide to not proceed with the Offer at any stage in accordance with Applicable Laws and in consultation with the Promoter Selling Shareholder and the BRLMs; and
- aa. To appoint, in consultation with the Promoter Selling Shareholder and the BRLMs, the registrar and other intermediaries to the Offer, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions,

brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents.”

**“RESOLVED FURTHER THAT** the Equity Shares so allotted under the fresh issue (including any reservation or green shoe option) shall be subject to the Memorandum of Association and the Articles of Association of the Bank and shall rank *pari passu* in all respects with the existing Equity Shares of the Bank including rights in respect of dividend.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolutions and any issue and allotment of Equity Shares pursuant to the Offer, the Board and any other committee thereof, in consultation with the Promoter Selling Shareholder and the BRLMs, be and is hereby authorized to determine the terms of the Offer including the class of investors to whom the Equity Shares are to be allotted, the number of Equity Shares to be allotted, issue price, premium amount, discount (as allowed under Applicable Laws), listing on one or more Stock Exchanges in India as the Board in its absolute discretion deems fit and do all such acts, deeds, matters and things and to negotiate, finalize and execute such deeds, documents agreements and any amendment thereto, as it may, in its absolute discretion, deem necessary, proper or desirable including arrangements with BRLMs, underwriters, escrow agents, legal advisors, etc., to approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer and to settle or give instructions or directions for settling any questions, difficulties or doubts that may arise, in regard to the Offer, allotment of the Equity Shares, and utilization of the Offer proceeds, if applicable and such other activities as may be necessary in relation to the Offer and to accept and to give effect to such modifications, changes, variations, alterations, deletions and/or additions as regards the terms and conditions as it may, in its absolute discretion, deem fit and proper in the best interest of the Bank and the Offer, without requiring any further approval of the members and that all or any of the powers conferred on the Bank and the Board pursuant to these resolutions may be exercised by the Board or such Committee thereof as the Board may constitute in its behalf.”

**“RESOLVED FURTHER THAT** in connection with any of the foregoing resolutions, the members of the Board and such other persons as may be authorized by the Board, on behalf of the Bank, be and are hereby severally authorized to execute and deliver any and all other documents, papers or instruments, issue and provide certificates and to do or cause to be done any and all acts or things as may be necessary, appropriate or advisable in order to carry out the purposes and intent of the foregoing resolutions for the Offer; and any such documents so executed and delivered or acts and things done or caused to be done shall be conclusive evidence of the authority of the Bank in so doing and any document so executed and delivered or acts and things done or caused to be done prior to the date hereof are hereby ratified, confirmed and approved as the acts and deeds of the Bank, as the case may be.”

**“RESOLVED FURTHER THAT** a copy of the above resolution, certified to be true by any Director or Company Secretary, be forwarded to concerned authorities for necessary actions.”

## **2. ESAF Small Finance Bank Employee Stock Option Plan 2019**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Section 62(1)(b), and all other applicable provisions, of the Companies Act 2013 (“the Act”), read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modifications or re-enactment thereof, for the time being in force), Banking Regulation Act, 1949, the Securities and Exchange Board of India Act, 1992, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications (“Applicable Laws”), the Memorandum and Articles of Association of the Bank, and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the members be and are hereby accorded respectively to the **ESAF Small Finance Bank Employee Stock option Plan 2019 (“ESOP 2019”/ “Plan”)** and to the Board of Directors of the Bank (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including Nomination, Remuneration and Compensation Committee, which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, and grant at any time to or to the benefit of such person(s) who are in permanent employment of the Bank, but excluding Promoter(s), Independent Directors, any such Director who either by himself or through his relatives as defined under the Companies Act or through any body corporate as defined under the Companies Act, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank, 22,515,552 (Two Crore Twenty-Five Lakhs Fifteen Thousand Five Hundred and Fifty-Two) employee stock options from time to time in one or more tranches, exercisable into 22,515,552 (Two Crore Twenty-Five Lakhs Fifteen Thousand Five Hundred and Fifty-Two) equity shares of the Bank, with each such option would be exercisable for one equity share of a face value of Rs. 10/- each fully paid-up on payment of the requisite exercise price to the Bank, and on such terms and conditions as may be determined by the Board in accordance with the provisions of the Plan and applicable laws.”

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOP 2019 and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Bank.”

**“RESOLVED FURTHER THAT** in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares that are issued by the Bank to the option grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of equity shares shall be deemed to increase to the extent of such additional equity shares issued.”

- 1) the number and price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such corporate action; and
- 2) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees..”

“**RESOLVED FURTHER THAT** in case the equity shares of the Bank are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the plan shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.10/- per equity share bears to the revised face value of the equity shares of the Bank after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the ESOP 2019 as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, the Memorandum and Articles of Association of the Bank and any other applicable laws.”

By order of the Board  
For ESAF Small Finance Bank Limited



Ranjith Raj P  
Company Secretary  
Membership No. A 30388

Place: Thrissur  
Date: December 31, 2019

## **NOTES**

- ***A Member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Bank. The Proxy Form, to be effective shall be deposited at the Registered Office of the Bank 48 hours prior to the time fixed for the meeting. Proxy Form is enclosed herewith.***
- A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Bank. A member holding more than 10 percentage of the total share capital of the Bank carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

- Explanatory statement pursuant to section 102 of the Companies Act 2013 is attached herewith.
- All documents referred to in the Notice and the Explanatory Statement, and requiring Members' approval, and such statutory records and registers, as are required to be kept open for inspection under the Companies Act, 2013, shall be available for inspection by the Members at the Corporate Office of the Bank during business hours and shall be accessible to the person attending the meeting.
- Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Bank a certified copy of the Board resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting.
- Route Map of the venue as per Secretarial Standards-2 is annexed. The prominent landmark for the venue is College of Veterinary and Animal Sciences, Mannuthy, Thrissur.
- Members/proxies should fill the attendance slip for attending the meeting and bring the attendance slips to the meeting.
- Members who hold shares in dematerialized form are requested to write their DP ID and Client ID No.(s) and those who hold shares in physical forms are requested to write their folio no.(s) in their attendance slip for attending the meeting to facilitate identification of membership at the meeting.
- The members are requested to register their e-mail or new e-mail id which has already been registered with the depository participant/ bank [with the depository participant (for shares held in Demat form) or bank (for shares held in physical form)].

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013, ANNEXURE TO AND FORMING PART OF THE NOTICE DATED DECEMBER 31, 2019,**

**1. Initial Public Offer of Equity Shares**

In terms of the Guidelines for Licensing of Small Finance Banks in the Private Sector dated November 27, 2014, the Bank is required to list its equity shares on the stock exchanges within three years from attaining a net worth of Rs. 500 crores. In light of this, the Bank proposes to undertake an initial public offer of its equity shares of face value of Rs. 10 each (the “**Equity Shares**”) which may include, a fresh issue of Equity Shares and an offer for sale of Equity Shares (“**Offer for Sale**”) by certain shareholders of the Bank (the “**Selling Shareholders**”), (the “**Offer**”) and listing of the Equity Shares on one or more of the stock exchanges.

The Bank and the Selling Shareholder intend to undertake the Offer and list the Equity Shares of the Bank at an opportune time in consultation with the book running lead managers appointed for the Offer (the “**BRLMs**”) and other advisors to be appointed for the Offer and subject to applicable regulatory and other approvals, to the extent necessary.

In view of the above and in terms of Section 62(1)(c), and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder, each as amended, the approval of the shareholders of the Bank is required through a special resolution.

The Bank proposes to create, offer, issue and allot in the Issue such number of Equity Shares, for cash either at par or premium such that the amount being raised pursuant to the Offer aggregates up to Rs. 800,00,00,000 (Rupees Eight Hundred Crores Only) on such terms and at such price and at such time as may be considered appropriate by the board of directors of the Bank (the “**Board**”), or a duly authorised committee thereof, to the various categories of permitted investors, who may or may not be the shareholder(s) of the Bank, in the initial public offer by way of book building method under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. The Equity Shares, if any, allotted vide the Offer shall rank in all respects *pari passu* with the existing equity shares of the Bank.

The proceeds from the Offer will be utilized the Net Proceeds from the Fresh Issue towards augmenting our Bank’s Tier – 1 capital base to meet our Bank’s future capital requirements. Further, the proceeds from the Fresh Issue will also be used towards meeting the expenses in relation to the Offer.

The Equity Shares are proposed to be listed on the BSE Limited, the National Stock Exchange of India Limited and any other stock exchange as determined by the Board at its absolute discretion (together, the “**Stock Exchanges**”) and the Bank will be required to enter into listing agreements with each of the Stock Exchanges.

The Bank will not make an offer of Equity Shares to the Promoter of the Bank in the Offer. However, the directors (except independent directors) or the key managerial personnel of the Bank may apply for the Equity Shares in the various categories under the Offer in accordance with the SEBI Regulations.

Other than through their participation in the Offer as mentioned above, none of the directors or managers or key managerial personnel of the Bank or the relatives of the said persons are interested in the said resolution.

Furthermore, in the event that Equity Shares are allotted to investors pursuant to pre-IPO placement of Equity Shares prior to registering of the red herring prospectus relating to the Offer with the Registrar of Companies, Kerala at Ernakulam, price at which such pre-IPO placement shall be made shall be subject to prevailing market conditions, and shall be decided by the Bank in consultation with the book running lead managers to the Offer.

No change in control of the Bank or its management of its business is intended or expected pursuant to the Offer.

None of the directors, key managerial personnel, of the Bank or the relatives of the aforementioned persons are interested in the said resolution except to the extent of direct or indirect participation in the proposed issue as a shareholder.

The Board recommends the resolutions in Item No.1 of the Notice for your approval as a special resolution. Accordingly, approval of the members of the Bank is sought to issue Equity Shares under Section 62(1)(c) and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder, each, as amended.

## **2. ESAF Small Finance Bank Employee Stock Option Plan 2019**

The Bank appreciates the role people play in the organizational growth. It strongly feels that the value created by its people should be shared with them. To create the feeling of inclusiveness and recognizing the contribution of the employees in building up the Bank and to promote the culture of employee ownership and as well as to attract, retain, motivate and incentivize employees, the Bank is intending to issue employee stock options under an employee stock option plan namely ESAF Small Finance Bank Employee Stock Option Plan 2019 (“ESOP 2019”/ “Plan”) to the employees of the Bank, and its holding company, as relevant, as determined from time to time.

As per prevailing rules, approval of the members is required for implementation of the Plan.

There will be two types of grants:

<b>Type of Grant</b>	<b>Eligible Employee</b>
Loyalty Grant	Employees on services till 7 <sup>th</sup> October 2015 on the payroll of the Promoter Company of the Bank (ESAF Financial Holdings Private

	Limited, formerly known as ESAF Microfinance and Investments Private Limited) and in employment with the bank as on the date of the grant. The Nomination, Remuneration and Compensation Committee of the Board is authorized to grant the Loyalty Grant such other employees as the Nomination, Remuneration and Compensation Committee may think eligible, with in the overall limit.
Performance Grant	Employees who have completed one year of service as on the date of grant and new hires at the discretion of the Nomination, Remuneration and Compensation Committee

**Particulars as required under Section 62 (1)(b) of the Companies Act, 2013 read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 are given below:**

**a) Total number of options to be granted:**

22,515,552 (Two Crore Twenty-Five Lakhs Fifteen Thousand Five Hundred and Fifty-Two) options would be available for being granted to eligible employees of the Bank under ESOP 2019. Each option when exercised would be converted into one equity share of Rs.10/- each fully paid-up.

Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to re-grant such lapsed / cancelled options as per the ESOP 2019.

In case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment will be made to the options granted. Accordingly, if any additional equity shares are required to be issued by the Bank to the option grantees for making such fair and reasonable adjustment, the ceiling of 22,515,552 (Two Crore Twenty-Five Lakhs Fifteen Thousand Five Hundred and Fifty-Two) of options/ equity shares shall be deemed to increase to the extent of such additional equity shares issued.

**b) Identification of classes of employees entitled to participate in the Employee Stock Option Plan:**

All (i) a permanent employee of the Bank, working in or out of India; or (ii) a Whole Time Director will be eligible subject to determination or selection by the Nomination, Remuneration and Compensation Committee of the board/ Board, but excludes:

- a. Promoters or persons belonging to promoter group; and
- b. any such Director who either by himself or through his relatives as defined under the Companies Act or through any body corporate as defined under the Companies Act, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank.

The specific Employees to whom the Options would be granted and their Eligibility Criteria would be determined by the Nomination, Remuneration and Compensation Committee. The

Grants to be made to the Directors shall be determined by the Nomination, Remuneration and Compensation Committee and, where appropriate, would be sent to the Reserve Bank of India for its approval.

**c) Appraisal Process for determining the eligibility of the employees to ESOPs:**

The options shall be granted to the employees as per performance appraisal system of the Bank.

**d) Requirements of vesting and period of vesting:**

The options granted shall vest so long as the employee continues to be in the employment of the Bank, as the case may be. The Board may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options granted shall vest in not earlier than a minimum vesting period of **one (1) year** and not more than **four (4) years** from the date of grant of such options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board, subject to the minimum vesting period of one year from the date of grant of options.

**e) The maximum period within which the options shall be vested:**

The options granted shall vest after expiry of **one (1) year** and not more than **four (4) years** from the date of grant of such options.

**f) Exercise price or pricing formula:**

The exercise price shall be the price as approved by the Board based on the recommendation of the Nomination, Remuneration and Compensation committee of the Board, which will not be less than face value and not more than Fair Market Value.

**g) Exercise Period and the process of exercise:**

**(i) While in employment/ service**

The Exercise Period in respect of a Vested Option shall be a maximum of **One (1) year**, from the Vesting date.

**(ii) Exercise Period in case of separation from employment/ service:** The Vested Options can be exercised subject to treatment of Unvested Options as per provisions outlined herein below:

S. No.	Separations	Vested Options	Unvested Options
1	<b>Resignation / Termination</b> (other than due to misconduct or breach of Bank Policies/Terms of Employment)	All Vested Options as on date of submission of resignation or date of termination shall be exercisable by the Option Grantee on or before the last working day in the Bank.	All the Unvested Options on the date of submission of resignation / date of termination shall stand cancelled with effect from that date.
2	<b>Termination due to misconduct or due to breach of Bank Policies/Terms of Employment</b>	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination.	All the Unvested Options on the date of such termination shall stand cancelled with effect from the termination date.
3	<b>Retirement / early Retirement approved by the Bank</b>	All Vested Options as on date of retirement shall be exercisable by the Option Grantee on or before the last working day in the Bank.	All the Unvested Options shall stand cancelled with effect from the date of retirement unless otherwise determined by the Nomination, Remuneration and Compensation Committee.
4	<b>Death</b>	All Vested Options as on date of death shall be exercisable by the nominee or legal heirs of the Option Grantee immediately after, but in no event later than six (6) months from the date of death of the Option Grantee.	All the Unvested Options as on the date of death shall vest immediately and may be exercised by the Option Grantee's nominee or legal heir in the manner prescribed for the Vested Options.
5	<b>Permanent Disability</b>	All Vested Options as on date of incurring the Permanent Disability shall be exercisable by the Option Grantee immediately after, but in	All Unvested Options as on the date of incurring Permanent Disability shall vest immediately and may be exercised by the

		no event later than six (6) months from the date of death of the Option Grantee.	Option Grantee in the manner prescribed for the Vested Options.
6	<b>Abandonment</b>	All the Vested Options shall stand cancelled with effect from the date of abandonment as determined by the Nomination, Remuneration and Compensation Committee.	All the Unvested Options shall stand cancelled with effect from the date of abandonment as determined by the Nomination, Remuneration and Compensation Committee.
7	<b>Termination due to any other reason apart from those mentioned above</b>	The Nomination, Remuneration and Compensation Committee shall decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of such termination shall stand <b>cancelled</b> with effect from that date.

The options will be exercisable by the employees by a written application to the Bank to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time. The options will lapse if not exercised within the specified exercise period.

**h) Lock-in period:**

The Shares issued upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.

**Provided however that** subsequent to Listing, the Shares allotted on such Exercise cannot be sold for such period from the date of allotment in terms of Code of Conduct for Prevention of Insider Trading of the Bank, if any, read with Securities Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended or such other period as may be stipulated from time to time in terms of such Code.

**i) Maximum number of options to be issued per employee and in aggregate:**

The maximum number of Options that may be granted to each Employee shall vary depending upon the designation and the appraisal/assessment process, however shall not

exceed [2,500,000 (Twenty-Five Lakhs)] in number per eligible Employee. However, the Nomination, Remuneration and Compensation Committee reserves the right to decide the number of Options to be granted and the maximum number of Options that can be granted to each Employee within this ceiling.

**j) Method of option valuation:**

The Bank will follow the intrinsic value method to account for its share-based employee compensation plans. In accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the guidance note on “Accounting for Employee Share based Payments” issued by the ICAI, the excess of the Market Price of the share, determined for the grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis or graded method over the vesting period.

The difference between the employee compensation cost computed based on above method and the employee compensation cost that shall have been recognized if it had used the fair value, will be disclosed in the Directors’ report and the impact of this difference on profits and on earnings per share (“EPS”) of the company will also be disclosed in the Directors' report.

**k) The conditions under which option vested in employees may lapse:**

As provided in g(ii) above

**l) The specified time period within which the employee shall exercise the vested options in the event of a proposed termination of employment or resignation of employee:**

As provided in g(ii) above

**m) Disclosure and Accounting Policies:**

The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Options, including but not limited to the IGAAP on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India from time to time, including the disclosure requirements prescribed therein.

**n) Implementation of the Scheme**

The implementation of the scheme shall be administered directly by the Bank. The implementation of the scheme will be by way of fresh issuance of shares only.

As the Plan provides for issue of Shares to be offered to persons other than existing shareholders of the Bank, consent of the members is being sought pursuant to Section 62 (1) (b) of the Companies Act, 2013 Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, the Memorandum and Articles of Association of the Bank and any other applicable laws.”

Accordingly, the Board recommends passing of the resolutions as set out in the accompanying notice.

None of the Directors, Managers, Key Managerial Personnel of the Bank and their relatives are in any way, concerned or interested in this Resolution, except to the extent of the securities that may be offered to them under the Plan.

**Route Map  
to the venue**



Land Mark: College of Veterinary & Animal Sciences, Mannuthy

### **ATTENDANCE SLIP**

CIN : U65990KL2016PLC045669  
Name of the Company : **ESAF Small Finance Bank Limited**  
Registered Office Address : Building No.VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680651

<b>Client ID/ Regd. Folio No.</b>	<b>No. of Shares Held</b>	<b>Name &amp; Address of the Registered Shareholders.</b>

I being the registered Shareholder/ Proxy for the registered shareholder of the Bank hereby record my presence at the Extra Ordinary General Meeting of the Bank held on Friday, January 03, 2020, at the Registered and Corporate Office of the Bank at Building No.VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680651 at 12.30 P.M. and at any adjournment(s) thereof.

Signature of Shareholder/Proxy

**Form MGT – 11**

**PROXY FORM**

*(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration Rules, 2014)*

CIN : **U65990KL2016PLC045669**  
Name of the Company : **ESAF Small Finance Bank Limited**  
Registered Office Address : **Building No.VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680651**

Name of the member (s):
Registered address:
E-mail Id:
Folio No:

I/We, being the member (s) of ..... shares of the above named company, hereby appoint:

1. Name:  
Address:  
E-mail Id:  
Signature: \_\_\_\_\_, or failing him
2. Name: .....  
Address:  
E-mail Id:  
Signature: \_\_\_\_\_, or failing him
3. Name:  
Address:  
E-mail Id:  
Signature:

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Extra Ordinary General Meeting of the Bank, to be held on Friday, January 03, 2020 at the Registered and Corporate Office of the Bank at Building No.VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680651 at 01.00 P.M. and at any adjournment thereof in respect of such resolutions as are indicated below:

- 1.
- 2.
- 3.
- 4.

Affix Revenue Stamp
---------------------------

Signed this..... day of.....

Signature of Shareholder: .....

Signature of Proxy holder(s)

**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank, not less than 48 hours before the commencement of the Meeting.**