



Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

UTKARSH SMALL FINANCE BANK LIMITED

CIN: U65992UP2016PLC082804

S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir, Varanasi
Tel No +91-542-2500596 | Website: www.utkarsh.bank | Email : shareholders@utkarsh.bank

NOTICE

SHORTER NOTICE IS HEREBY GIVEN THAT THE EXTRA-ORDINARY GENERAL MEETING OF THE MEMBERS OF UTKARSH SMALL FINANCE BANK LIMITED ("USFBL" OR THE "BANK") IS SCHEDULED TO BE HELD ON SUNDAY, JANUARY 12, 2020 AT 5:00 P.M. AT REGISTERED OFFICE –S-24/1-2, FIRST FLOOR, MAHAVIR NAGAR, ORDERLY BAZAR, NEAR MAHAVIR MANDIR, VARANASI, TO INTER ALIA, CONSIDER AND TRANSACT FOLLOWING BUSINESSES:

SPECIAL BUSINESS:

- 1. To consider and approve the terms of appointment of Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Bank Limited (USFBL) with respect to the remuneration, Perquisites & Annual Bonus for FY 2019-2020 & FY 2020-2021 and for grant of Performance bonus for FY 2018 -2019:**

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

"RESOLVED THAT pursuant to Section 196, 117 and other applicable Sections/ related Rules thereto of the Companies Act 2013 and other applicable Acts/Rules, Regulations and Guidelines thereto, and subject to approval of the Reserve Bank of India and any other Government Authority, wherever required, approval of the shareholders of the Bank be and hereby accorded for revision in the terms of appointment of Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Bank Limited (USFBL) with respect to the remuneration, Perquisites & Annual Bonus as follows:

- a) Annual Increment of 30% in the Gross Salary (existing fixed Cost to Company) of MD & CEO for FY 2019-2020 and for FY 2020-2021.
- b) For grant of Performance Bonus of 35% on his Gross Salary for FY 2018-2019 prorated to the tenure of his employment during FY 2018 – 2019."

"RESOLVED FURTHER THAT Mr. Hitain Sharma, Chief Human Resource Officer (CHRO) or Mr. Sachin Patange, Chief Compliance Officer (CCO) be and are hereby authorized to do all other necessary acts in this regard to give effect to the above resolution."

2. To consider and accord approval for introduction and implementation of "Utkarsh Small Finance Bank Limited (USFBL) Managing Director & CEO (MD & CEO) Employee Stock Option Plan 2020" ("Plan"), to determine the detailed terms and conditions of the Plan and to create, grant, offer, issue and allot/transfer at any time, to or for the benefit of, MD & CEO - USFBL the stock options, exercisable into not more than 2,00,18,918 Equity Shares of Rs.10/- each (the "Equity Shares"), at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board or the Committee

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

"RESOLVED THAT pursuant to the provisions of Section 62 (1), the Companies (Share Capital and Debentures) Rules 2014 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Memorandum and Articles of Association of the Bank, any rules, guidelines and regulations issued by the Reserve Bank of India or any other regulatory -or government authority wherever required, and any other applicable laws for the time being in force and subject to approval of the Board and Shareholders of the Bank and subject to such approvals, consents, permissions and sanctions, as may be required from Reserve Bank of India, and further subject to such terms and conditions as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to and accepted by the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include the Nomination and Remuneration Committee constituted by the Board to exercise its powers conferred by this Resolution) approval of the Shareholders be and is hereby accorded to introduce and implement the **"Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020" ("Plan")** the salient features of which are furnished in the Plan Document, placed before the Shareholders."

"RESOLVED FURTHER THAT subject to approval of Reserve Bank of India or any other regulatory or government authority wherever required, approval of the Shareholders be and is hereby accorded to create, grant, offer, issue and allot/transfer at any time, to or for the benefit of, MD & CEO - USFBL such number of stock options (comprising of options and/ or restricted stock units, as the case may be) (the "Stock Options") exercisable into not more than 2,00,18,918 Equity Shares of 10/- each (the "Equity Shares"), at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board or the Committee in accordance with the applicable provisions of the law/rules as may be prevailing at that time."

"RESOLVED FURTHER THAT in case the stock options under the plan are settled by issuance of the Equity Shares of the Bank, the Equity Shares so issued and allotted by the Bank shall rank pari passu in all respect with existing Equity Shares of the Bank."

"RESOLVED FURTHER THAT subject to approval of the Reserve Bank of India or any other regulatory or governmental authority wherever required, approval of the Shareholders be and is hereby accorded to formulate, evolve, decide upon and implement the Plan and determine the detailed terms and conditions of the aforementioned Plan including but not limited to the quantum of the Stock Options to be granted per employee in each tranche, the exercise period, the vesting period, the vesting conditions, instances where such Stock Options shall lapse and to grant such number of Stock Options, to such employees and directors of the Bank, at par or at such other price, at such time and on such terms and conditions as set out

in the Plan and as the Board/Committee may in its absolute discretion think fit, subject to applicable laws."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, subject to approval of the Reserve Bank of India or any other regulatory or government authority wherever required, approval of the Shareholders be and is hereby accorded to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle all questions, difficulties or doubts that may arise in relation to formulation and implementation of the Plan at any stage without requiring the Board to secure any further consent or approval of the Shareholders of the Bank to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make any modifications, changes, variations, alterations or revisions in the Plan, as it may deem fit, from time to time, including pursuant to the effectiveness of the Scheme of Arrangement under Section 230 of the Companies Act 2013 between Utkarsh CoreInvest Limited and USFBL (filed with the National Company Law Tribunal, Allahabad Bench, on October 25, 2019) or any other Corporate Action (*as defined in the Plan*), or to suspend, withdraw or revive the Plan from time to time in conformity with the provisions of the Companies Act, 2013 (including any rules or regulations made thereunder), the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended (*if applicable*) and other applicable laws unless such variation, amendment, modification or alteration is detrimental to the interest of the employees who have been granted Stock Options under the Plan."

"RESOLVED FURTHER THAT subject to approval of Reserve Bank of India or any other regulatory or government authority wherever required, approval of the Shareholders be and is hereby accorded to do all such acts, deeds and things, as may, at its absolute discretion, deems necessary including authorising or directing the appointment of various intermediaries, experts, professionals, independent agencies and other advisors, consultants or representatives, being incidental to the effective implementation and administration of the Plan, as also to prefer applications to the appropriate authorities, parties and the institutions for their requisite approvals, if any, required by the Regulatory Authorities and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any powers conferred herein, to Nomination & Remuneration Committee, with the power to further delegate its duties and powers in whole or part to the Trust, to do all such acts, deeds, matters and things as also to execute such documents, writings, etc. as may be necessary with respect to the Plan."

3. To consider and approve grant of options upto 3% of the issued share capital (excluding outstanding warrants and conversions) of the Bank to MD & CEO under Utkarsh Small Finance Bank Limited (USFBL) - MD & CEO Employee Stock Option Plan 2020 ("Plan")

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

"RESOLVED THAT pursuant to the provisions of Section 62 (1) of the Companies Act 2013, the Companies (Share Capital and Debentures) Rules 2014 each as amended, and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Memorandum and Articles of Association of the Bank, any rules, guidelines and regulations issued by the Reserve Bank of India or any other regulatory or governmental authority and any other applicable laws for the time being in force and subject to such approvals, consents, permissions and sanctions, as may be required from Reserve Bank of India or government authority wherever required, and further subject to such terms and conditions as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to and accepted by the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include the Nomination and Remuneration Committee (hereinafter referred to as the Committee) constituted by the Board to exercise its powers conferred by this Resolution) and subject to approval of the shareholders of the Bank, consent of the Shareholders be and are hereby accorded for grant of options upto 3% of the issued share capital (excluding outstanding warrants and conversions) of the Bank in the year ending 31st December, 2020 to MD & CEO, under **Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 ("Plan")**.

"RESOLVED FURTHER THAT in case the stock options under the Plan are settled by issuance of the shares of the Bank, the Equity Shares so issued and allotted by the Bank shall rank pari passu in all respect with existing shares of the Bank."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle all questions, difficulties or doubts that may arise in relation to the aforesaid proposal at any stage without requiring the Board to secure any further consent or approval of the Board and Shareholders of the Bank to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make any modifications, changes, variations, alterations or revisions with respect to the aforesaid proposal in conformity with the provisions of the Companies Act, 2013 {including any rules or regulations made thereunder) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended (the "SEBI SBEB Regulations") (if applicable), and other applicable laws unless such variation, amendment, modification or alteration is detrimental to the interest of MD & CEO who has been granted Stock Options under the Plan."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make any modifications, changes, variations, alterations or revisions in the Plan, as it may deem fit, from time to time, including pursuant to the effectiveness of the Scheme of Arrangement under

Section 230 of the Companies Act 2013 between Utkarsh Coreinvest Limited and the Bank (filed with the National Company Law Tribunal, Allahabad Bench, on October 25, 2019) or any other Corporate Action (*as defined in the Plan*), or to suspend, withdraw or revive the Plan from time to time in conformity with the provisions of the Companies Act, 2013 (including any rules or regulations made thereunder), the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended (*if applicable*) and other applicable laws unless such variation, amendment, modification or alteration is detrimental to the interest of MD & CEO who has been granted Stock Options under the Plan."

"RESOLVED FURTHER THAT subject to approval of Reserve Bank of India or any other regulatory or government authority wherever required, approval of the Shareholders be and is hereby accorded to do all such acts, deeds and things, as may, at its absolute discretion, deems necessary including authorising or directing the appointment of various intermediaries, experts, professionals, independent agencies and other advisors, consultants or representatives, being incidental to the effective implementation and administration of the Plan, as also to prefer applications to the appropriate authorities, parties and the institutions for their requisite approvals, if any, required by the Regulatory Authorities and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any powers conferred herein, to Nomination & Remuneration Committee, with the power to further delegate its duties and powers in whole or part to the Trust, to do all such acts, deeds, matters and things as also to execute such documents, writings, etc. as may be necessary with respect to the Plan."

By Order of the Board
for Utkarsh Small Finance Bank Limited

Sd/-
Nutan Anand Rane
Company Secretary

Date: 10.01.2020
Place: Mumbai

NOTES:-

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be the member of the company. Proxy in order to be effective must be deposited with the company at least 48 hours before the time of the meeting. This clause is not applicable since notice for EGM has been called on Shorter Notice.
2. The Register of Directors and Key Managerial Personnel and their Shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the Meeting.
3. Relevant documents referred to in the Notice are open for inspection by the Members at the Registered Office of the Company on all working days, except on Saturdays, between 11.00 A.M. and 1.00 P.M. upto the date of the Meeting and also during the continuance of the Meeting.

4. Members are requested to inform their email-id and notify immediately any change in their address.
5. The explanatory statement relating to special business mentioned in the Notice as required pursuant to section 101(2) of the Companies Act, 2013 is annexed to the Notice.
6. The route map of the venue of the Meeting is given in the Notice.

By Order of the Board
for Utkarsh Small Finance Bank Limited

Sd/-
Nutan Anand Rane
Company Secretary

Date: 10.01.2020
Place: Mumbai



Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

UTKARSH SMALL FINANCE BANK LIMITED

CIN: U65992UP2016PLC082804

S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir, Varanasi

Tel No +91-542-2500596 | Website : www.utkarsh.bank | Email :

shareholders@utkarsh.bank

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 1

Utkarsh Small Finance Bank Limited ("USFBL" or Bank") was incorporated on April 30, 2016 and received banking license from RBI in the month of November 2016. Mr. Govind Singh was appointed as MD & CEO for USFBL on January 20, 2017. The Bank started its banking operations on January 23, 2017. -

At the time of appointment of Mr. Govind Singh as MD & CEO, his Gross salary was Rs.1.20 crore, excluding perquisites and statutory contributions. This Gross salary was the same salary which Mr. Govind Singh was drawing at Utkarsh Micro Finance Limited prior to his appointment as MD & CEO of USFBL. Subsequently, for FY 2017-2018, there was no increment in his salary as MD & CEO of USFBL. No annual bonus was also paid for this period.

After having stepped down as MD & CEO in May 2018, Mr. Govind Singh was re-appointed as MD & CEO of USFBL in, September 2018 with an increment of 10% in his Gross salary. Thus, his salary as MD & CEO was revised to Rs.1.32 crore in September 2018, excluding perquisites and statutory contributions. The overall Cost to Bank (CTC) for MD & CEO taking into account perquisites and statutory contributions in September 2018 was Rs.1.46 crore. There has been no change in his remuneration thereafter.

The NRC and Board discussed and agreed that there was need for the MD & CEO compensation to be competitive with peers. It was agreed that at this stage of the Bank's operations, the reference point for peer level comparison should be SFBs similar to USFBL. It was discussed that going forward USFBL would appoint independent HR firms such as E & Y, Aon Hewitt etc. to conduct benchmarking of salaries with MD & CEOs of other comparable basket companies once every year. Summary of the comparison with other SFBs had been discussed earlier and was summarized. It was noted that the median compensation level that the Bank should aim at was approximately Rs.2.50 crore per annum (CTC basis excluding performance bonus). The current compensation being paid to MD & CEO since September 2018, as stated above, was Rs.1.46 crore and needed significant correction.

It was noted that enhancing the CEO compensation was also required to be done to set the appropriate framework for senior CXO compensation levels in the Bank. The Bank, has in the recent past, experienced difficulty in hiring appropriate talent at this level on account of the resultant limitation in offering compensation for CXO level positions.

The NRC and Board discussed the above issue and agreed that the market correction in the MD & CEO compensation should be done in two steps. Accordingly, it was proposed to make a correction of 30% each year in FY 2019-2020 and FY 2020-2021 to bring the compensation to the median of the market. The MD & CEO compensation was therefore proposed to be Rs.1.91 crore (CTC basis excluding performance bonus} for FY 2019- 2020 and Rs.2.50 crore (CTC basis excluding performance bonus) for FY 2020 - 2021. This would be subject to approval by the Reserve Bank of India.

The NRC and Board also discussed quantum of performance bonus to be granted to MD & CEO for FY 2018-2019, looking at the overall performance of USFBL performance of the role holder and Performance bonus given to other senior management staff in USFBL for FY 2018-2019, it was decided to grant a 35% bonus on gross salary drawn for FY 2018-2019 to MD & CEO. The bonus amount would be prorated at the time period worked in USFBL for FY 2018-2019. This would be subject to approval of Reserve Bank of India.

The, NRC and Board also discussed the various factor that might be evaluated in the appraisal exercise in FY 2019-2020 to determine the quantum of performance bonus payable to MD & CEO for FY 2019-2020.

The said proposal is duly approved by the Board and Nomination and Remuneration Committee of the Bank at their Meetings held on January 10, 2020. We seek the Members' approval in this regard.

The above proposal is in the interest of the Bank and the Board recommend the resolution to be passed as ordinary resolution by 'the members.

Mr. Govind Singh, MD & CEO of the Bank is interested in the resolution set out at Item No.1 of the Notice.

Item No. 2

Equity based variable compensation is an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives by participating in the ownership of the Bank through share-based compensation scheme/plan. The Bank believes in its employees including the directors of the Bank for their continuous hard work, dedication and support, which has led the Bank on the growth path. The Bank intends to implement the **Utkarsh Small Finance Bank limited (USFBL) - MD & CEO Employee Stock Option Plan 2020 ("Plan")** with a view to attract and retain key talents working with the Bank by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability.

A Shareholders' Agreement ("SHA") was signed by the shareholders of Utkarsh Micro Finance Limited (now Utkarsh CoreInvest Limited, i.e., UCL) the promoter company of Utkarsh Small Finance Bank limited ("SFB"), on September 27, 2016 which enables Utkarsh CoreInvest Limited or the SFB, as may be applicable, for issuance of sweat equity/ equity shares/ share equivalents/ other securities up to three percent (3%) of the paid up share capital of the Promoter Company on a fully diluted basis as on the Effective Date i.e. anytime within three years (3) from the date of commencement of business by USFBL to Mr. Govind Singh - MD & CEO of USFBL.

Subsequently, the relevant clause in the SHA as also the Articles of Association of the Promoter Company was amended on January 15, 2018 whereby the RAAG Family Trust, in addition to Mr. Govind Singh, was included as an eligible entity for issue of the equity shares/ share equivalents/ other securities.

USFBL commenced its operations on 23rd January 2017 and thus, Mr. Govind Singh in his individual capacity or the RAAG Family Trust is eligible for being issued the said equity shares/ share equivalents/ other securities within a period of three (3) years from the Effective Date i.e., by January 22, 2020.

UCL Board at its meeting held on 24th December 2019 had accorded its approval for extension of three years (3), the existing period of three years (3) i.e., in effect up to a period of six years (6) from the date of commencement of business by USFBL, whereby either UCL or USFBL shall be permitted for issuance of equity shares / share equivalents / other securities up to three percent (3%) of the paid up share capital of the Promoter Company on fully diluted basis to Mr. Govind Singh - MD & CEO USFBL. Hence, the new effective date for such issuance to Mr. Govind Singh now stands at January 22, 2023.

The above referred amendment to the SHA also states that the price of equity shares or share equivalents issued as part of permitted sponsor issuance shall be the same price at which shares were subscribed to by HDFC Life, ICICI Pru, Faering, HDFC Ergo, RBL, SIDBI, AIA, and Shriram under the Share Subscription Agreement dated September 27, 2016.

In view of the SHA signed on September 27, 2016 and the subsequent amendment dated January 15, 2018 thereto by the shareholders of Utkarsh Micro Finance Limited (now Utkarsh CoreInvest Limited), guidance was sought from Reserve Bank of India vide letter dated May 17, 2019, as follows:

To issue equity shares/ share equivalents / other securities within the limit of 3% of the paid up share capital of the Promoter Company, for either of the following options:

- i) issue of equity shares (fully paid up/ partly paid up) / share equivalents/ other securities of USFBL to Mr. Govind Singh.
- ii) issue of equity shares (fully paid / partly paid up) / share equivalents / other securities of the Promoter Company to the RAAG family Trust.

The Reserve Bank of India in its response dated September 23, 2019 advised the Bank that they do not have any objection to the issuance of equity shares to Shri Govind Singh or the Trust. They further stated that if the allotment is done to Shri Singh at such a price that there is taxable perquisite value, that would be treated as remuneration, requiring prior approval of RBI.

Incidentally, the said RBI letter dated September 23, 2019 was also placed before the NRC and the Board of the Bank in their meetings held on 15th October 2019. The said RBI letter was also placed before the UCL Board in its meeting held on December 24, 2019 as part of the Agenda for consideration for extension of timeline for a period of 3 years for issuance of equity shares. Further, the Board of UCL at its Meeting held earlier on 22nd November, 2019 have taken note of receipt of the said RBI letter dated 23rd September, 2019.

Post receipt of the above-referred RBI letter dated September 23, 2019, M/s. Ernst & Young (EY) were appointed as independent consultants to evaluate various options for issuance of

equity shares/ share equivalents/ other securities to Shri Govind Singh or to the RAAG Family Trust.

Basis the presentation made by the EY representatives to the NRC at its Meeting held on 10th January, 2020 and the Report (Annexure II submitted by them the Committee, after considering the following 2 Alternatives opted for Annexure II.

Alternatives I - UCL transfer its USFBL shares at NAV in its capacity as promoter of USFBL

Alternative 11 - USFBL issues equity shares under an ESOP plan to MD & CEO - USFBL.

The draft valuation report for the valuation of ESOPs was obtained from M/s Sunit & Co., Chartered Accountants. The draft valuation report based on the Black- Scholes model has valued the ESOPs proposed to be issued to MD & CEO at Rs.37.77 crores. The exact amount of valuation will be ascertained in the final report which to be received after the grant of options. For accounting purpose, the value of the ESOPs to be amortized over the vesting period. The same has been confirmed by E&Y also.

Basis the expert advice given by EY and to honour relevant provisions of the SHA signed by the shareholders of Utkarsh Micro Finance Limited (now Utkarsh CoreInvest Limited, the Promoter Company of Utkarsh Small Finance Bank Limited ("SFB"), on September 27, 2016 and subsequent amendment thereto dated January 15, 2018, the Bank proposed for approval of the **"Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 (Plan)**.

The features of the proposed plan are given below:

1. **Purpose of the plan** - The purpose of the Plan is to issue Employee Stock Options of USFBL to MD & CEO of USFBL.
2. **Eligibility** - The eligibility to participate in the plan is subject to such criteria as may be decided by the Board/ NRC at its own discretion, in accordance with applicable law.
3. **Definition of Employee for the plan** - Employee would mean MD & CEO of USFBL.
4. **Vesting** - 50% of the options shall vest on the first anniversary from the Grant Date and the balance 50% of the options shall vest on the second anniversary of the Grant Date.
5. **Exercise Period** - The exercise period shall be 48 months from the date of vesting.
6. **Share Pool** - The maximum number of shares that may be issued pursuant to Exercise of Options granted to the participant under the plan shall not exceed 2,00,18,918 of face value of INR 10 each.
7. **Quantum of Shares to be granted** - During any one year, no employee shall be granted options equal to or exceeding 1% of the issued share capital of USFBL, unless approved by the shareholders of USFBL by way of a special resolution in a General meeting. The NRC may recommend to increase this limit to upto 3% of the issued share capital of USFBL, to the Board and subsequently to be approved by the shareholders of USFBL, to give effect to the current proposal under discussion.
8. **Exercise Price** - The exercise price shall be Rs.14.02 on a face value of Rs.10.00 per option.

9. Accelerated Vesting - The options granted shall be vested in an accelerated manner in case of-

- a. Death of the participant
- b. Permanent disability of the participant
- c. In the event of sale of all shares or majority of shares of the Bank or merger of the Bank before the vesting period.

We seek the Members' approval for introduction and implementation of the Plan and grant of options to MD & CEO as decided by the Board of directors of the Bank ("Board")/NRC from time to time. The said proposal is duly approved by the Board and Nomination and Remuneration Committee of the Bank at their Meetings held on 10th January, 2020.

The above proposal is in the interest of the Bank and the Directors recommend the resolution to be passed as special resolution by the Shareholders.

Mr. Govind Singh, MD & CEO of the Bank is interested in the resolution set out at Item No.2 of the Notice.

Item No. 3

Utkarsh CoreInvest Limited ("**Holding Company**") had entered into Shareholders Agreement ("**SHA**") dated September 27, 2016. As per clause 4.09 of the SHA, titled "Issue to Sponsors" and the Article 13 of the Articles of Association of the Holding Company, anytime within three (3) years from the date of commencement of business by the SFB Entity, the Company (or the SFB Entity, as may be applicable) shall be permitted to issue and allot up to three percent (3%) of the paid up share capital of the Company on a Fully Diluted Basis as on the Effective Date, to Mr. Govind Singh by way of issue of sweat equity/ Equity Shares/ Share Equivalents/ other securities or in such other mode or manner as may be permitted under Applicable Law ("**Permitted Sponsor Issuance**").

Further, the revised SHA was executed on January 15, 2018 between the UCL and its Shareholders. As per the clause 4.09 of the SHA, anytime within three (3) years from the date of commencement of business by the SFB Entity, the UCL (or the SFB Entity, as may be applicable) shall be permitted to issue and allot up to three percent (3%) of the paid up share capital of the UCL on a Fully Diluted Basis as on the Effective Date, to Mr. Govind Singh or the Trust, by way of issue of Equity Shares/Share Equivalents/other securities in such mode or manner as may be permitted under Applicable Law ("**Permitted Sponsor Issuance**").

The Bank vide its letter dated May 19, 2019 approached RBI seeking its guidance for Issue of Equity Shares or share equivalents to Shri Govind Singh or the Trust within the limit of 3% of the paid up share capital of the Promoter Company, for either of the following options:

- i) Issue of equity shares (fully paid up / partly paid up) / share equivalents / other securities of the SFB to Mr. Govind Singh.
- ii) Issue of equity shares (fully paid up / partly paid up) / share equivalents / other securities of the promoter company to the RAAG Family Trust.

DBR RBI CO vide their reply letter dated September 23, 2019 have advised that they do not have any objection to the issuance of equity shares (fully paid up/ partly paid up) / share equivalents / other securities to Mr. Govind Singh or the Trust, subject to the following:

- such issuance not attracting the disqualification criteria of Section 10B(4) of the Banking Regulation Act, 1949.
- if the allotment is done to Mr. Govind Singh at such a price that there is taxable perquisite value, that would be treated as remuneration and would require RBI prior approval.

Accordingly, it is proposed to issue upto 3% of the issued share capital of the Bank to Mr. Govind Singh, MD & CEO. It is therefore, proposed to approve grant of option upto 3% of the issued share capital (excluding outstanding warrants and conversions) of the Bank in the year ending 31 December 2020 to MD & CEO under Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 ("Plan")

The said proposal is duly approved by the Board and Nomination and Remuneration Committee of the Bank at their Meetings held on 10th January, 2020. We seek the Members' approval in this regard by way of Special Resolution.

The above proposal is in the interest of the Bank and the Directors recommend the resolution to be passed as special resolution by the Shareholders.

Mr. Govind Singh, MD & CEO of the Bank is interested in the resolution set out at Item No.3 of the Notice.

By Order of the Board
for Utkarsh Small Finance Bank Limited

Sd/-
Nutan Anand Rane
Company Secretary

Date: 10.01.2020
Place: Mumbai



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

UTKARSH SMALL FINANCE BANK LIMITED

CIN: U65992UP2016PLC082804

S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir, Varanasi

Tel No +91-542-2500596 | Website : www.utkarsh.bank | Email :

shareholders@utkarsh.bank

PROXY FORM

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

Name of the shareholder(s)	
Registered address	
E-mail ID	
Folio No. /DP ID & Client ID	

I/We, being the shareholder(s) of shares of Utkarsh Small Finance Bank Limited, hereby appoint:

Name :	Address:
Email ID:	Signature Or failing him/her

Name :	Address:
Email ID:	Signature Or failing him/her

Name :	Address:
Email 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 Members of the Bank being held on Sunday January 12, 2020 at 5.00 pm at First Floor, S-24/1-2, Mahavir Nagar, Orderly Bazaar, Varanasi – 221002 and at any adjournment thereof in respect of such resolutions and in such manner as are indicated below:

Sr No	Resolutions	Optional	
		For	Against
	SPECIAL BUSINESS		
1	To consider and approve the terms of appointment of Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Bank Limited (USFBL) with respect to the remuneration, Perquisites & Annual Bonus) for FY 2019-2020 & FY 2020-2021 and for grant of Performance bonus for FY 18 -19		
2	To consider and accord approval for introduction and implementation of "Utkarsh Small Finance Bank Limited (USFBL) Managing Director & CEO (MD & CEO) Employee Stock Option Plan 2020" ("Plan"), to determine the detailed terms and conditions of the Plan and to create, grant, offer, issue and allot/transfer at any time, to or for the benefit of, MD & CEO - USFBL the stock options, exercisable into not more than 2,00,18,918 Equity Shares of Rs.10/- each (the "Equity Shares"), at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board or the Committee		
3	To consider and approve grant of options upto 3% of the issued share capital (excluding outstanding warrants and conversions) of the Bank to MD & CEO under Utkarsh Small Finance Bank Limited (USFBL) - MD & CEO Employee Stock Option Plan 2020 ("Plan")		

Affix One
Rupee
Revenue
Stamp

Signed this _____ day of _____ 2020 Signature of Shareholder _____

Signature of first proxy
holder

Signature of second proxy
holder

Signature of third proxy
holder

Notes:

1. This form in order to be effective must be duly stamped, completed and signed and must be deposited at the Registered Office of the Bank, not later than 48 hours before the commencement of the meeting.
2. Please put a (√) in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.



Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

UTKARSH SMALL FINANCE BANK LIMITED

CIN: U65992UP2016PLC082804

S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir, Varanasi

Tel No +91-542-2500596 | Website : www.utkarsh.bank | Email :

shareholders@utkarsh.bank

ATTENDANCE SLIP

Regd. Folio / DP ID & Client ID	
Name and Address of the Member	
Name(s) of the Joint Holder(s)	
No. of Share(s)	
Name of Proxy Holder	

I/We hereby record my/our presence at the Extra-Ordinary General Meeting of the Members of the Bank being held on Sunday January 12, 2020 at 5.00 pm at First Floor, S-24/1-2, Mahavir Nagar, Orderly Bazaar, Varanasi – 221 002.

Signature of the attending Member/Proxy

--

Note:

1. A shareholder/ Proxy holder wishing to attend the meeting must bring the attendance slip
2. A Shareholder /Proxy holder desiring to attend the meeting must bring the annual report for the reference of the meeting.

ROUTE MAP OF THE EGM VENUE:

