

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Serial No. 01/2023-24

Addressed to: G 1-2, New Market, Khasa Kothi, Jaipur

Date: June 15, 2023

**PLACEMENT MEMORANDUM
(FOR PRIVATE PLACEMENT)**

by

**FINCARE SMALL FINANCE BANK LIMITED**

A public limited company incorporated under the Companies Act, 1956

Corporate Identification Number (CIN): U67120GJ1995PLC025373	Corporate Office: 5 th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru - 560035
Permanent Account Number (PAN): AABC6398N	Telephone No.: +91 7940011000
Date of Incorporation: 05/04/1995	Compliance Officer: Ms. Shefaly Kothari (available at the 5 th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru - 560035)
Place of Incorporation: Gujarat	Email: sfbcompsec@fincarebank.com
Registration number issued by the Reserve Bank of India:	Website: www.fincarebank.com
Registered Office: 301-306, 3rd Floor, Abhijeet - V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India	

Placement Memorandum for issue of Debentures on a private placement basis under Schedule II of Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 as amended from time to time in relation to the issue of 4,900 (four thousand and nine hundred) rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures denominated in Indian Rupees ("INR"), having a face value of INR 1,00,000 (Indian Rupees One Lakh) each and an aggregate face value of INR 49,00,00,000 (Indian Rupees Forty Nine Crore) ("Debentures" or "NCDs") on a private placement basis (the "Issue"). Certain details of the Debentures are as follows:

- Rating:** The Debentures are rated as "A (Positive)" by ICRA Limited pursuant to the letter/press release dated June 9, 2023. Please refer Annexure II for the rating rationale and the press release.
- Listing:** The Debentures are proposed to be listed on the Wholesale Debt Market (WDM) of the BSE Limited within the time period prescribed under the SEBI Listing Timelines Requirements (as defined below).
- Eligible Investors:** Please refer Section 9.14 of the Placement Memorandum.
- Coupon related details:** The coupon rate for the debentures is 10.75% (ten decimal seven five percent) per annum. Please refer Section 8.1 (*Summary Details*) for details about coupon/dividend rate, coupon/dividend payment frequency, redemption date, redemption amount.
- Underwriting:** The issue is not underwritten.
- Electronic Book Provider Platform:** Not applicable.

Issue Schedule

Issue Opening on: June 15, 2023

Date of earliest closing of the issue, if any: N.A.

Issue Closing on: June 15, 2023

Deemed Date of Allotment: June 15, 2023

The Issue shall be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

**Registrar and Transfer Agent**

KFIN Technologies Limited (Formerly known as KFIN Technologies Private Limited)

Address: Selenium Tower B, Plot No 31-32, Gachibowli, Financial District Nanakramguda, Serilingampally, Hyderabad 500032

Tel: +9167162222 **Fax:** NA

Website: www.kfintech.com

Email: einward.ris@kfintech.com

**Debenture Trustee**

Catalyst Trusteeship Limited

Address: 604, Windsor Building, Kalina, Santacruz East, Mumbai – 400098, Maharashtra, India

Tel: +91 (022) 49220555

Contact Person: Ms. Deesha Trivedi

Email: ComplianceCTL-Mumbai@ctltrustee.com

**Rating Agency
ICRA Limited**

Address: Building No. 8, 2nd Floor, Tower A, JLF Cyber City, Phase II, Gurgaon - 122 002

Tel: +91-124 45 45 846

Contact Person: Mr. Jatin Arora

Email: jatin.arora@icraindia.com

Issuer's Compliance Officer:

Shefaly Kothari

Tel: +91 80 4250 4444

Email:

shefaly.kothari@fincarebank.com**Issuer's Company Secretary:**

Shefaly Kothari

Tel: +91 80 4250 4444

Email:

shefaly.kothari@fincarebank.com**Issuer's Chief Financial Officer:**

Keyur Doshi

Tel: 080-42504444

Email:

keyur.doshi@fincarebank.com**Issuer's Promoters:**

Fincare Business Services Limited

Tel: NA

Email:

compsecfbsl@fincarebank.com

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BACKGROUND

This Placement Memorandum is related to the Debentures to be issued by Fincare Small Finance Bank Limited (the "Issuer" or "Company") on a private placement basis and contains relevant information and disclosures required for the purpose of issuing of the Debentures. The issue of the Debentures comprised in the Issue and described under this Placement Memorandum has been authorised by the Issuer through resolutions passed by the shareholders of the Issuer on March 15, 2023, the Board of Directors of the Issuer on February 20, 2023, June 12, 2023 and June 15, 2023, and the Memorandum and Articles of Association of the Issuer. The present issue of Debentures in terms of this Placement Memorandum is within the overall powers of the Board as per the above shareholder resolution(s).

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Placement Memorandum contains all information with regard to the Issuer and the Issue which is material in the context of the Issue, that the information contained in this Placement Memorandum is true and correct in all material aspects and is not misleading, that the opinions and intentions expressed herein are honestly stated and that there are no other facts, the omission of which make this Placement Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading.

DISCLAIMER

- THIS PLACEMENT MEMORANDUM CONTAINS NO UNSUBSTANTIATED FORWARD-LOOKING STATEMENTS. TO THE EXTENT THERE ARE ANY UNSUBSTANTIATED FORWARD-LOOKING STATEMENTS UNDER THIS PLACEMENT MEMORANDUM, SUCH STATEMENTS SHALL BE CONSIDERED TO BE NULL AND VOID.
- THIS ISSUE DOES NOT FORM PART OF NON-EQUITY REGULATORY CAPITAL FOR THE PURPOSES OF CHAPTER V OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021 AND CHAPTER XIII (ISSUANCE, LISTING AND TRADING NON-EQUITY REGULATORY CAPITAL) OF THE CIRCULAR ISSUED BY SEBI BEARING THE REFERENCE NUMBER SEBI/HO/DDHS/P/CIR/2021/613 DATED AUGUST 10, 2021 ON "OPERATIONAL CIRCULAR FOR ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES, SECURITISED DEBT INSTRUMENTS, SECURITY RECEIPTS, MUNICIPAL DEBT SECURITIES AND COMMERCIAL PAPER" READ TOGETHER WITH SEBI CIRCULAR NO. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/027 DATED FEBRUARY 8, 2023 ON "CLARIFICATION W.R.T. ISSUANCE AND LISTING OF PERPETUAL DEBT INSTRUMENTS, PERPETUAL NON-CUMULATIVE PREFERENCE SHARES AND SIMILAR INSTRUMENTS UNDER CHAPTER V OF THE SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) REGULATIONS, 2021". THE FACE VALUE OF EACH DEBT SECURITY ISSUED ON PRIVATE PLACEMENT BASIS UNDER THIS ISSUE IS INR 1,00,000 (INDIAN RUPEES ONE LAKH).

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SECTION 1: DEFINITIONS AND ABBREVIATIONS

Capitalised terms used herein and not defined shall have the meanings given to them in the Transaction Documents. Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Placement Memorandum.

GENERAL DEFINITIONS

Act/Companies Act	means the Companies Act, 2013, and shall include any re-enactment, amendment or modification of the Companies Act, 2013, as in effect from time to time.
Applicant	means a person who has submitted a completed Application Form to the Issuer, and "Applicants" shall be construed accordingly.
Application Form	means the application form for subscription of the Debentures annexed to this Placement Memorandum and marked as Annexure IV.
Application Money	means the subscription amounts paid by the Debenture Holders at the time of submitting the Application Form.
Board / Board of Directors	means the Board of Directors of the Issuer.
BSE	means BSE Limited
CDSL	Central Depository Services (India) Limited.
Company/Issuer/Bank/Fincare SFB	means Fincare Small Finance Bank Limited.
Creore / Cr. / Crs.	Ten Million
Debentures/NCDs	means 4,900 (four thousand and nine hundred) rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures denominated in INR, having a face value of INR 1,00,000 (Indian Rupees One Lakh) each and an aggregate face value of INR 49,00,00,000 (Indian Rupees Forty Nine Crore).
Debenture Holders/ Investors	means each person who is: <ul style="list-style-type: none"> (a) registered as a Beneficial Owner; and (b) registered as a debenture holder in the Register of Debenture Holders. <p>(a) and (b) above shall be deemed to include transferees of the Debentures registered with the Issuer and the Depository(ies) from time to time, and in the event of any inconsistency between (a) and (b) above, (a) shall prevail,</p> <p>and "Debenture Holder" or "Investor" shall be construed accordingly.</p>
Debenture Trustee Agreement	means the agreement executed / to be executed by and between the Debenture Trustee and the Issuer <i>inter alia</i> for the purposes of appointment of the Debenture Trustee to act as debenture trustee in connection with the issuance of the Debentures.
Debenture Trustees Regulations/SEBI Debenture Trustees Regulations	means the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, amended, modified, supplemented, or restated from time to time.
Debenture Trust Deed/DTD	means the debenture trust deed executed / to be executed by and between the Debenture Trustee and the Issuer <i>inter alia</i> recording the terms and conditions upon which the Debentures are being issued and shall include the representations and warranties and the covenants to be provided by the Issuer.

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Debt Disclosure Documents	means, collectively, the PPOA and this Placement Memorandum, and "Debt Disclosure Document" means any one of them.
Deemed Date of Allotment	means June 15, 2023.
Demat	means the dematerialized securities which are securities that are in electronic form, and not in physical form, with the entries noted by the Depository.
Depositories Act	means the Depositories Act, 1996, as amended from time to time.
Depositories	means the depositories with whom the Issuer has made arrangements for dematerialising the Debentures, being NSDL and CDSL, and "Depository" means any one of them.
Depository Participant / DP	A depository participant as defined under the Depositories Act
Director(s)	means the director(s) of the Issuer.
DP ID	Depository Participant Identification Number.
DRR	has the meaning given to it in Section 6.28 (<i>Other details</i>) of this Placement Memorandum.
EFT	Electronic Fund Transfer
Eligible Investors	has the meaning given to it in Section 9.14 below.
ISIN	means International Securities Identification Number.
Issue	means this issue of the Debentures on a private placement basis pursuant to this Placement Memorandum.
Issue Closing Date	June 15, 2023
Issue Opening Date	June 15, 2023
Listed NCDs Operational Circular	means the circular issued by SEBI bearing the reference number SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 on " <i>Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper</i> ", as amended, modified, supplemented, or restated from time to time.
MFI	Micro Finance Institution
N.A.	Not Applicable
New Capital Adequacy Framework/Basel II Framework	means the Reserve Bank of India's circular on " <i>Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)</i> " dated July 1, 2015, as amended, modified, supplemented or restated from time to time.
NSDL	National Securities Depository Limited
PAN	Permanent Account Number
Placement Memorandum/PM/Offer Document	means this placement memorandum issued by the Issuer in respect of the Debentures proposed to be issued.
Private Placement Offer cum Application Letter(s)/PPOA	means the private placement offer cum application letter(s) prepared in compliance with Section 42 of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, issued by the Issuer in respect of the Debentures.
Purpose	means the purpose set out in Section 8.1 below.
Rating	means the credit rating for the Debentures from the Rating Agency, which has affirmed a rating of "A (Positive)" to the Issue through its letter dated June 9, 2023.
Rating Agency	means ICRA Limited.
RBI	Reserve Bank of India.

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Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 15 (fifteen) calendar days prior to any Due Date.
Recovery Expense Fund	means the recovery expense fund established/to be established and maintained by the Company in accordance with the provisions of Chapter IV (<i>Recovery Expenses Fund</i>) of the SEBI Debenture Trustees Operational Circular.
Register of Beneficial Owners	means the register of beneficial owners of the Debentures maintained in the records of the Depositories.
Register of Debenture Holders	means the register maintained by the Issuer in accordance with Section 88 of the Companies Act.
R&T Agent/Registrar	means the registrar and transfer agent appointed for the issue of Debentures, being KFIN Technologies Limited (formerly known as KFIN Technologies Private Limited)
ROC	means the jurisdictional registrar of companies.
Rs. / INR	Indian National Rupees.
RTGS	Real Time Gross Settlement.
SEBI	means the Securities and Exchange Board of India.
SEBI Debt Listing Regulations/Debt Listing Regulations	means the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with the SEBI's circular bearing the reference number SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/027 dated February 8, 2023 on " <i>Clarification w.r.t. issuance and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments under Chapter V of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021</i> ", each as amended, modified, supplemented or restated from time to time.
SEBI Debenture Trustees Operational Circular	means the SEBI circular bearing reference number SEBI/HO/DDHS/P/CIR/2023/50 dated March 31, 2023, on " <i>Operational Circular for Debenture Trustees</i> " to the extent applicable in respect of the private placement of debt securities, as amended, modified, supplemented, or restated from time to time.
SEBI Listed Debentures Circulars	means, collectively, the Listed NCDs Operational Circular, the SEBI Debenture Trustees Operational Circular, the SEBI Debt Listing Regulations, and the LODR Regulations (to the extent applicable).
SEBI Listing Timelines Requirements	means the requirements in respect of the timelines for listing of debt securities issued on a private placement basis prescribed in Chapter VII (<i>Standardization of timelines for listing of securities issued on a private placement basis</i>) of the Listed NCDs Operational Circular.
SEBI LODR Regulations/LODR Regulations	means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, modified, supplemented, or restated from time to time.
Tax	means any present or future tax (direct or indirect), levy, duty, charge, fees, deductions, withholdings, surcharges, cess, turnover tax, transaction tax, stamp tax or other charge of a similar nature (including any penalty or interest payable on account of any failure to pay or delay in paying the same), now or hereafter, imposed pursuant to any Applicable Law or by any Governmental Authority.
Tax Deduction	means a deduction or withholding for or on account of Tax from a payment under a Transaction Document pursuant to Applicable Law.
TDS	Tax Deducted at Source.
Transaction Documents	means:

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	<p>(a) the DTD;</p> <p>(b) the Debenture Trustee Agreement;</p> <p>(c) the Debt Disclosure Documents;</p> <p>(d) the letters issued by the, and each memorandum of understanding/agreement entered into with, the Rating Agency, the Debenture Trustee and/or the Registrar;</p> <p>(e) each tripartite agreement between the Issuer, the Registrar and the relevant Depository;</p> <p>(f) the resolutions and corporate authorisations provided pursuant to the Conditions Precedent; and</p> <p>(g) any other document that may be designated as a Transaction Document by the Debenture Trustee or the Debenture Holders, and "Transaction Document" means any of them.</p>
WDM	Wholesale Debt Market
Wilful Defaulter	means an issuer who is categorized as a wilful defaulter by any Bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India and includes an issuer whose director or promoter is categorized as such.

TRANSACTION SPECIFIC DEFINITIONS

Applicable Law	means all applicable statutes, enactments or acts of any legislative body in India, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Governmental Authority and any modifications or re-enactments thereof.
Business Day	<p>means:</p> <p>(a) subject to (b) and (c) below, means any day on which commercial banks in Mumbai, India are open for business;</p> <p>(b) for the period commencing on the Issue Opening Date until the Issue Closing Date, any day (other than a Saturday, Sunday or a public holiday under Section 25 of the Negotiable Instruments Act, 1881), on which commercial banks in Mumbai, India are open for business; and</p> <p>(c) for the period commencing on the Issue Closing Date until the listing of the Debentures in accordance with the DTD, any trading day of BSE, other than a Saturday, Sunday or a bank holiday, as specified by SEBI,</p> <p>and "Business Days" shall be construed accordingly.</p>
Capital Adequacy Ratio	means the capital adequacy ratio determined in accordance with the directions/guidelines issued by the RBI.
Due Dates	means the dates on which any interest, any Outstanding Principal Amounts, any additional interest, any liquidated damages, any premature redemption amount and/or any other amounts payable are due and payable, including without limitation, the Interest Payment Dates, the Final Redemption Date, or any other date on which any payment is to be

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	made by the Issuer under the Transaction Documents, and "Due Date" shall be construed accordingly.
Final Redemption Date	means the date occurring on the expiry of a period of 5 (five) years and 6 (six) months from the Deemed Date of Allotment, being December 15, 2028.
Final Settlement Date	means the date on which all Obligations have been irrevocably and unconditionally paid and discharged in full to the satisfaction of the Debenture Holders.
Financial Year	means each period of 12 (twelve) months commencing on April 1 of any calendar year and ending on March 31 of the subsequent calendar year.
Governmental Authority	means any government (central, state or otherwise) or any governmental agency, semi-governmental or judicial or quasi-judicial or administrative entity, department or authority, agency or authority including any stock exchange or any self-regulatory organisation, established under any Applicable Law, and "Governmental Authorities" shall be construed accordingly.
Interest Payment Dates	means the dates on which interest is payable on the Debentures, and "Interest Payment Date" shall be construed accordingly. The indicative interest payment dates are set out in Annexure VI below.
Interest Rate	means 10.75% (ten decimal seven five percent) per annum.
Lower Tier II Capital	means the "Lower Tier II Capital" determined in accordance with the directions/guidelines issued by the RBI.
Majority Debenture Holders	means such number of Debenture Holders collectively holding more than 51% (fifty one percent) of the value of the Outstanding Principal Amounts of the Debentures.
Majority Resolution	means a resolution approved by the Majority Debenture Holders.
Obligations	means all present and future obligations (whether actual or contingent and whether owed jointly or severally or in any capacity whatsoever) of the Issuer to the Debenture Holders or the Debenture Trustee under the Transaction Documents, including without limitation, the making of payment of any interest, redemption of principal amounts, the interest amounts, default interest, additional interest, liquidated damages and all costs, charges, expenses and other amounts payable by the Issuer in respect of the Debentures.
SFB Directions	means the RBI's circular bearing the notification no. DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016 on " <i>Operating Guidelines for Small Finance Banks</i> " and the RBI's circular bearing the notification no. FIDD.CO.SFB.No.9/04.09.001/2017-18 dated July 6, 2017 on " <i>Small Finance Banks – Compendium of Guidelines on Financial Inclusion and Development</i> ", each as amended, modified, supplemented or restated from time to time.
Special Majority Debenture Holders	means such number of Debenture Holders collectively holding more than 75% (seventy five percent) of the value of the Outstanding Principal Amounts of the Debentures.
Special Resolution	means resolution approved by the Special Majority Debenture Holders.
Tier I Capital	means the "Tier I Capital" determined in accordance with the directions/guidelines of the RBI.
Tier II Capital	means the "Tier II Capital" determined in accordance with the directions/guidelines of the RBI.
Upper Tier II Capital	means the "Upper Tier II Capital" determined in accordance with the directions/guidelines of the RBI.

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SECTION 2: NOTICE TO INVESTORS AND DISCLAIMERS

2.1 ISSUER'S DISCLAIMER

This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus and should not be construed to be a prospectus or a statement in lieu of a prospectus under the Companies Act. The issue of the Debentures to be listed on the WDM segment of the BSE is being made strictly on a private placement basis. Multiple copies hereof given to the same entity shall be deemed to be given to the same person and shall be treated as such. This Placement Memorandum does not constitute and shall not be deemed to constitute an offer or invitation to subscribe to the Debentures to the public in general.

As per the applicable provisions, it is not necessary for a copy of this Placement Memorandum to be filed or submitted to the SEBI for its review and/or approval. This Placement Memorandum has been prepared in conformity with the SEBI Debt Listing Regulations as amended from time to time and applicable RBI regulations governing private placements of debentures. This Placement Memorandum has been prepared solely to provide general information about the Issuer to Eligible Investors (as defined hereunder) to whom it is addressed and who are willing and eligible to subscribe to the Debentures. This Placement Memorandum does not purport to contain all the information that any Eligible Investor may require. Further, this Placement Memorandum has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth herein.

Neither this Placement Memorandum nor any other information supplied in connection with the Debentures is intended to provide the basis of any credit or other evaluation and any recipient of this Placement Memorandum should not consider such receipt as a recommendation to subscribe to any Debentures. Each potential Investor contemplating subscription to any Debentures should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the creditworthiness of the Issuer. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the Debentures and should possess the appropriate resources to analyse such investment and the suitability of such investment to such potential Investor's particular circumstances.

The Issuer confirms that, as of the date hereof, this Placement Memorandum (including the documents incorporated by reference herein, if any) contains all the information that is material in the context of the Issue and regulatory requirements in relation to the Issue and is accurate in all such material respects. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this Placement Memorandum or in any material made available by the Issuer to any potential Investor pursuant hereto and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer. The Issuer certifies that the disclosures made in this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) are adequate and in conformity with the SEBI Debt Listing Regulations and the Companies (Prospectus and Allotment of Securities) Rules, 2014. Further, the Issuer accepts no responsibility for statements made otherwise than in the Placement Memorandum or any other material issued by or at the instance of the Issuer and anyone placing reliance on any source of information other than this Placement Memorandum would be doing so at its own risk.

This Placement Memorandum, the Private Placement Offer cum Application Letter(s) and the respective contents hereof respectively, are restricted only for the intended recipient(s) who have been addressed directly and specifically through a communication by the Issuer and only such recipients are eligible to apply for the Debentures. All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue. The contents of this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) are intended to be used only by those Investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced by the recipient.

No invitation is being made to any persons other than those to whom Application Forms along with this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) being issued have

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been sent. Any application by a person to whom the Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) has not been sent by the Issuer shall be rejected without assigning any reason.

The person who is in receipt of this Placement Memorandum and/or the Private Placement cum Application Offer Letter(s) shall not reproduce or distribute in whole or in part or make any announcement in public or to a third party regarding the contents hereof without the consent of the Issuer. The recipient agrees to keep confidential all information provided (or made available hereafter), including, without limitation, the existence and terms of the Issue, any specific pricing information related to the Issue or the amount or terms of any fees payable to the Issuer or any other person in connection with the Issue. This Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) may not be photocopied, reproduced, or distributed to others at any time without the prior written consent of the Issuer. Upon request, the recipients will promptly return all material received from the Issuer (including this Placement Memorandum) without retaining any copies hereof. If any recipient of this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) decides not to participate in the Issue, that recipient must promptly return this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) and all reproductions whether in whole or in part and any other information statement, notice, opinion, memorandum, expression or forecast made or supplied at any time in relation thereto or received in connection with the Issue to the Issuer.

The Issuer does not undertake to update the Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) to reflect subsequent events after the date of Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) and thus it should not be relied upon with respect to such subsequent events without first confirming its accuracy with the Issuer.

Neither the delivery of this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) nor any sale of Debentures made hereafter shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) does not constitute, nor may it be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. No action is being taken to permit an offering of the Debentures or the distribution of this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) in any jurisdiction where such action is required. Persons into whose possession this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) comes are required to inform themselves of, and to observe, any such restrictions. The Placement Memorandum is made available to potential Investors in the Issue on the strict understanding that it is confidential.

2.2 DISCLAIMER CLAUSE OF STOCK EXCHANGES

As required, a copy of this Placement Memorandum has been filed with the BSE in terms of the SEBI Debt Listing Regulations. It is to be distinctly understood that submission of this Placement Memorandum to the BSE should not in any way be deemed or construed to mean that this Placement Memorandum has been reviewed, cleared, or approved by the BSE; nor does the BSE in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Memorandum, nor does the BSE warrant that the Issuer's Debentures will be listed or will continue to be listed on the BSE; nor does the BSE take any responsibility for the soundness of the financial and other conditions of the Issuer, its promoters, its management or any scheme or project of the Issuer.

2.3 DISCLAIMER CLAUSE OF RBI

The Issuer is having a License pursuant to Section 22(1) of the Banking Regulation Act, 1949 dated May 12, 2017 to carry on Small Finance Banking business in India. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Issuer or the correctness of any of the statements or representations made or opinion expressed by the Issuer and for repayment of deposits/discharge of liabilities by the Issuer.

2.4 **DISCLAIMER CLAUSE OF SEBI**

As per the provisions of the SEBI Debt Listing Regulations, it is not stipulated that a copy of this Placement Memorandum has to be filed with or submitted to the SEBI for its review / approval. It is to be distinctly understood that this Placement Memorandum should not in any way be deemed or construed to have been approved or vetted by SEBI and that this Issue is not recommended or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any proposal for which the Debentures issued thereof is proposed to be made or for the correctness of the statements made or opinions expressed in this Placement Memorandum.

2.5 **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is made in India to investors as specified under the paragraph titled "Eligible Investors" of this Placement Memorandum, who shall be/have been identified upfront by the Issuer. This Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) does not constitute an offer to sell or an invitation to subscribe to Debentures offered hereby to any person to whom it is not specifically addressed. Any disputes arising out of this Issue will be subject to the exclusive jurisdiction of the courts and tribunals at the location set out in Section 8.1 (*Summary Terms*). This Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) does not constitute an offer to sell or an invitation to subscribe to the Debentures herein, in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

2.6 **DISCLAIMER IN RESPECT OF RATING AGENCIES**

Ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The Rating Agency has based its ratings on information obtained from sources believed by it to be accurate and reliable. The Rating Agency does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by the Rating Agency have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

2.7 **ISSUE OF DEBENTURES IN DEMATERIALIZED FORM**

The Debentures will be issued in dematerialised form. The Issuer has made arrangements with the Depositories for the issue of the Debentures in dematerialised form. Investors will have to hold the Debentures in dematerialised form as per the provisions of Depositories Act. The Issuer shall take necessary steps to credit the Debentures allotted to the beneficiary account maintained by the Investors with its their respective depository participant. The Issuer will make the Allotment to the Investors on the Deemed Date of Allotment after verification of the Application Form, the accompanying documents and on realisation of the application money.

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SECTION 3: DETAILS OF PROMOTERS OF THE ISSUER

The details of the Promoters of the Issuer are set out below:

1. **FINCARE BUSINESS SERVICES LIMITED**

- (a) Photo/Logo: N.A.
- (b) Date of Incorporation: August 1, 2014
- (c) Age: NA
- (d) Registered Address: 301-302, Abhijeet - V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India
- (e) Educational Qualifications: NA
- (f) Experience in the business or employment: NA
- (g) Positions/posts held in the past: NA
- (h) Directorships held: NA
- (i) Other ventures of the promoter: NIL
- (j) Special achievements: NA
- (k) Their business and financial activities: Non-Banking Financial Institution without accepting public deposit.
- (l) Permanent Accountant Number: AACCF4303J
- (m) Other details (CIN) : U74900GJ2014PLC132578

The Issuer hereby confirms and declares, to the extent applicable, that Permanent Account Number, Aadhaar Number, Driving License Number, Bank Account Number(s) and Passport Number of the promoters and Permanent Account Number of directors have been submitted to BSE, at the time of filing the draft Placement Memorandum.

SECTION 4: GENERAL RISKS

GENERAL RISK

Investment in non-convertible securities involve a degree of risk and investors should not invest any funds in such securities unless they can afford to take the risk attached to such investments. Investors are advised to take an informed decision and to read the risk factors carefully before investing in this offering. For taking an investment decision, investors must rely on their examination of the issue including the risks involved in it. Specific attention of investors is invited to statement of risk factors contained under Section 4 of this Placement Memorandum. These risks are not, and are not intended to be, a complete list of all risks and considerations relevant to the non-convertible securities or investor's decision to purchase such securities.

RISK FACTORS

The following are the risks relating to the Issuer, the Debentures and the market in general envisaged by the management of the Issuer. Potential Investors should carefully consider all the risk factors stated in this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) for evaluating the Issuer and its business and the Debentures before making any investment decision relating to the Debentures. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Debentures but does not represent that the statements below regarding risks of holding the Debentures are exhaustive. Potential Investors should also read the detailed information set out elsewhere in this Placement Memorandum and/or the Private Placement Offer cum Application Letter(s) and reach their own views prior to making any investment decision.

4.1 REPAYMENT IS SUBJECT TO THE CREDIT RISK OF THE ISSUER.

Potential Investors should be aware that receipt of the principal amount, (i.e. the redemption amount) and any other amounts that may be due in respect of the Debentures is subject to the credit risk of the Issuer whereby the Investors may or may not recover all or part of the funds in case of default by the Issuer. Potential Investors assume the risk that the Issuer will not be able to satisfy their obligations under the Debentures. In the event that bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Issuer, the payment of sums due on the Debentures may not be made or may be substantially reduced or delayed.

4.2 RISKS IN RELATION TO THE NON-CONVERTIBLE SECURITIES; THE SECONDARY MARKET FOR DEBENTURES MAY BE ILLIQUID; LIMITED OR SPORADIC TRADING OF NON-CONVERTIBLE SECURITIES OF THE ISSUER ON THE STOCK EXCHANGES.

(a) **Investments in subordinated debt securities involve a degree of risk and investors should not invest any funds in the Debentures, unless they can afford to take risks attached to such investments. The Debentures are subordinated debt securities and not deposits of the Bank and they cannot be used as collateral for any loan made by the Bank. The Debentures are different from fixed deposits and are not covered by deposit insurance. Unlike the fixed deposits where deposits are repaid at the option of deposit holder, the Debentures are not redeemable at the option of the Debenture Holders or without the prior consent of the Reserve Bank of India.**

(b) The Debentures may be very illiquid, and no secondary market may develop in respect thereof. Even

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if there is a secondary market for the Debentures, it is not likely to provide significant liquidity. Potential Investors may have to hold the Debentures until redemption to realize any value.

4.3 CREDIT RISK & RATING DOWNGRADE RISK

The Rating Agency has assigned the credit rating to the Debentures. In the event of deterioration in the financial health of the Issuer, there is a possibility that the rating agency may downgrade the rating of the Debentures. In such cases, potential Investors may incur losses on revaluation of their investment or make provisions towards sub-standard/ non-performing investment as per their usual norms.

4.4 CHANGES IN INTEREST RATES MAY AFFECT THE PRICE OF DEBENTURES.

All securities where a fixed rate of interest is offered, such as this Issue, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the pricing of the Debentures.

4.5 TAX CONSIDERATIONS AND LEGAL CONSIDERATIONS

Special tax considerations and legal considerations may apply to certain types of investors. Potential Investors are urged to consult with their own financial, legal, tax and other advisors to determine any financial, legal, tax and other implications of this investment.

4.6 ACCOUNTING CONSIDERATIONS

Special accounting considerations may apply to certain types of taxpayers. Potential Investors are urged to consult with their own accounting advisors to determine implications of this investment.

4.7 RISKS IN RELATION TO THE SECURITY; SECURITY MAY BE INSUFFICIENT TO REDEEM THE DEBENTURES; RISKS IN RELATION TO MAINTENANCE OF SECURITY COVER OR FULL RECOVERY OF THE SECURITY IN CASE OF ENFORCEMENT

Not applicable as the Debentures are unsecured and subordinated debt instruments.

4.8 MATERIAL CHANGES IN REGULATIONS TO WHICH THE ISSUER IS SUBJECT COULD IMPAIR THE ISSUER'S ABILITY TO MEET PAYMENT OR OTHER OBLIGATIONS.

The Issuer is subject generally to changes in Indian law, as well as to changes in government regulations and policies and accounting principles. Any changes in the regulatory framework could adversely affect the profitability of the Issuer or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.

4.9 LEGALITY OF PURCHASE

Potential Investors in the Debentures will be responsible for the lawfulness of the acquisition of the Debentures, whether under the laws of the jurisdiction of their incorporation or the jurisdiction in which they operate or for compliance by that potential Investor with any law, regulation or regulatory policy applicable to it.

4.10 POLITICAL AND ECONOMIC RISK IN INDIA

The Issuer operates only within India and, accordingly, all of its revenues are derived from the domestic market. As a result, it is highly dependent on prevailing economic conditions in India and its results of operations are significantly affected by factors influencing the Indian economy. An uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and

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consumption. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults. Any slowdown in the growth or negative growth of sectors where the Issuer has a relatively higher exposure could adversely impact its performance. Any such slowdown could adversely affect its business, prospects, results of operations and financial condition.

4.11 RISKS RELATED TO THE BUSINESS OF THE ISSUER

- **As a result of our limited operating history, we may not be able to compete successfully in our newer product categories and it may be difficult to evaluate our business and future operating results on the basis of our past performance.**

- We have 15 years of experience in microfinance, having begun microfinance operations in 2007 via Future Financial Services Private Limited, the business of which we acquired in 2016. On May 12, 2017, the RBI granted us a license to carry on small finance banking in terms of Section 22 (1) of the Banking Regulation Act, 1949. We began operations as an SFB on July 21, 2017.

Prior to commencing operations as an SFB, our primary offering was microloans. Our limited track record in our newer loan products, such as loans against property, loans against gold, institutional finance, two-wheeler loans, affordable housing loans and overdraft as well as on the deposit side, such as savings accounts, current accounts, Fincare-101 digital savings accounts, fixed deposits including retail term deposits and bulk term deposits, recurring deposits and their variants, exposes us to risks that more experienced competitors may not face. The interest rates that we offer in deposit products are varied based on the tenor of the deposits. For the newer loan products, we do not have a long track record of credit underwriting for some of these segments, nor an extensive data set to analyze repayment patterns, and hence our credit underwriting models may prove to be less effective as compared to competitors who have been in similar businesses for a longer period.

- **25% of our total banking outlets are required to be located in unbanked rural areas. If we are unable to effectively manage the growth associated with our expansion, our financial, accounting, administrative and technology infrastructure, as well as our business and reputation could be adversely affected.**

- As part of our growth, we have expanded our network of banking outlets (including those operated by our business correspondents), and accordingly many of the banking outlets are yet to attain full maturity. Since we commenced operations in July 2017, 495 of our banking outlets have completed three years of operation, and the rest are accordingly not mature outlets as per our internal assessment. As of March 31, 2023, we had an average Gross Loan Portfolio of ₹ 81.45 million per outlet and an average Gross Loan Portfolio of ₹ 102.05 million (excluding BC outlets).

We may also be constrained by the requirement that at least 25% of our total banking outlets are required to be located in unbanked rural areas. Part of our plan is to use business correspondents to expand in regions experiencing socio- 24 economic challenges, which may be more cost-intensive than expanding in other regions.

- **Our Gross Loan Portfolio consists primarily of microloans, comprising 60.99% of our Gross Loan Portfolio as of March 31, 2023. These loans are generally unsecured, without support from collaterals and contribute to our Gross NPAs. We significantly depend on our microloan business, which has its own unique risks and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that materially adversely affect our business, financial condition, results of operations, cash flows and prospects.**

- Our microloan customers typically are women from low income households in rural India, with limited sources of income, savings and credit histories supported by tax returns and

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statements of previous loan exposures which are generally unsecured. Further, low income borrowers generally are less financially resilient than borrowers with better financial resources, more established credit histories, access to better education, employment opportunities, and social services, who may be disproportionately affected by economic conditions or socio-political unrest. Approximately 43.78% of our customers as of March 31, 2023 are first-time borrowers. Further, some of these microloan borrowers may have availed loans from multiple sources. Also, we may not always receive timely updates regarding changes in the financial condition of our customers or may receive inaccurate or incomplete information, as a result of any misrepresentation by either customers or employees. In the event of default, we may be unable to collect part or all of the amount lent to a customer.

Currently, our entire microloan portfolio consists of joint liability group loans. Our joint liability group lending products are built on the joint-liability loan model, wherein borrowers form a group and provide mutual guarantee for loans obtained by each other without requiring collateral or security on an individual basis. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group, if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or as a result of adverse external factors such as natural calamities or forced migration.

- **A significant portion of our loan portfolio was originated in rural areas, exposing us to risks associated with rural economies.**
 - As of March 31, 2023, 94.37% of our loan portfolio comprised rural borrowers, with annual household income of up to ₹0.13 million. Such rural borrowers are dependent on the performance of their local economies, which are largely tied to the agricultural, agri-allied and petty trade sectors. Any drastic changes in weather, drought, excessive rains or floods can lead to weakness in the agricultural industry and, consequently, the ability of our borrowers to repay their loans. Moreover, in the past, high debt among farmers combined with political and socio-economic factors have led a number of states, including Madhya Pradesh, to declare farm debt waivers. Such waivers may lead to a deterioration of credit discipline, as some borrowers in other states may stop repaying their loans in hope of obtaining similar relief. Any weakness in local economies may lead to an increase in NPAs and credit costs. Moreover, rural areas tend to have more limited infrastructure than more developed areas. We may face difficulties in conducting operations in such areas, or our cost of operations in such areas may be higher.
- **An increase in our portfolio of non-performing assets may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects**
 - Our credit monitoring and risk mitigation policies and procedures may not be accurate, properly designed, or appropriately implemented, and we may suffer material credit losses. For instance, if the value of the collateral securing our credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral) or if we face practical or legal impediments in enforcing collateral, then we may be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, even if our policies and procedures are accurate and appropriate, we may not be able to anticipate future economic or financial developments or downturns, which may lead to an increase in our NPAs. Further, our customers may face cash flow constraints due to losses incurred by them in their businesses which may affect the ability of our customers to repay their loans.

The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs

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or any further deterioration in our NPA portfolio. We may need to make further provisions if there is dilution/ deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all.

- **Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business.**
 - We face strong competition in our business from much larger government controlled public sector banks, large private sector banks, Indian and foreign commercial banks, non-banking financial companies, microfinance institutions, payment banks, other small finance banks, fintechs and other financial services companies.

Mergers and consolidation among public sector banks may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, with effect from April 1, 2017, the State Bank of India, India's largest public sector bank, merged its five associate banks and Bharatiya Mahila Bank with itself, while the Bank of Baroda, Dena Bank and Vijaya Bank merged with effect from April 1, 2019. Further, a number of competitors in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by way of economies of scale and improving organizational efficiencies. We also face threat to our loan market from newer business models that leverage technology to bring together savers and borrowers.

As SFBs are a relatively new format of banks in India, we may not be able to compete effectively with more traditional and well-established universal banks for numerous reasons including differences in regulatory requirements and public perception around the stability of small finance banks. As part of our strategy to source deposits, we may have paid a higher interest rate to our depositors than many of our competitors. Moreover, a small portion of our deposits (28.17% as of March 31, 2023) consists of wholesale deposits, which are generally considered more sensitive to changes in interest rates. Consequently, we may not be able to continue to successfully source deposits if our competitors increase their deposit rates, and we may not be able to increase our own deposit rates while maintaining attractive NIMs.

4.12 **TRADING OF THE NCDS MAY BE LIMITED BY TEMPORARY EXCHANGE CLOSURES, BROKER DEFAULTS, SETTLEMENT DELAYS, STRIKES BY BROKERAGE FIRM EMPLOYEES AND DISPUTES.**

The Indian stock exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

4.13 **REFUSAL OF LISTING OF ANY SECURITY OF THE ISSUER DURING LAST THREE YEARS BY ANY OF THE STOCK EXCHANGES IN INDIA OR ABROAD**

As on the date of this Placement Memorandum, no stock exchange in India or abroad has refused listing of any equity or debt security issued by the Issuer.

4.14 **IN CASE OF OUTSTANDING DEBT INSTRUMENTS OR DEPOSITS OR BORROWINGS:**

ANY DEFAULT IN COMPLIANCE WITH THE MATERIAL COVENANTS SUCH AS CREATION OF SECURITY AS PER TERMS AGREED: Not applicable as the Debentures are unsecured and subordinated debt instruments issued by a small finance bank.

DEFAULT IN PAYMENT OF INTEREST: As on the date of this Placement Memorandum, the Issuer has not committed any default in payment of interest in respect of any outstanding borrowings.

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DEFAULT IN REDEMPTION OR REPAYMENT: As on the date of this Placement Memorandum, the Issuer has not committed any default in redemption or repayment in respect of any outstanding borrowings.

NON-CREATION OF DEBENTURE REDEMPTION RESERVE: Pursuant Rule 18(7) of the Companies (Share Capital and Debentures) Rules, 2014, a banking company is not required to maintain debenture redemption reserve for debentures issued on a private placement basis.

DEFAULT IN PAYMENT OF PENAL INTEREST WHEREVER APPLICABLE: As on the date of this Placement Memorandum, the Issuer has not committed any default in payment of interest penal in respect of any outstanding borrowings.

OTHERS: A failure to observe the covenants under the Issuer's financing arrangements or to obtain necessary consents required thereunder may lead to the termination of the Issuer's credit facilities, acceleration of all amounts due under such facilities and the enforcement of any security provided (if any). Any acceleration of amounts due under such facilities may also trigger cross default provisions under the Issuer's other financing agreements. If the obligations under any of the Issuer's financing documents are accelerated, the Issuer may have to dedicate a substantial portion of the Issuer's cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for the Issuer's working capital requirements and other general corporate purposes. Further, during any period in which the Issuer is in default, the Issuer may be unable to raise, or face difficulties raising, further financing. Any of these circumstances could adversely affect the Issuer's business, credit rating and financial condition, cash flows and results of operations. If the Issuer fails to meet its debt service obligations or covenants provided under the financing agreements, the relevant lenders could declare the Issuer to be in default under the terms of the Issuer's agreements or accelerate the maturity of the Issuer's obligations. the Issuer cannot assure the Investors that, in the event of any such acceleration, the Issuer will have sufficient resources to repay the borrowings.

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SECTION 5: FINANCIAL STATEMENTS

The audited financial statements of the Issuer for the Financial Year ended March 31, 2021, March 31, 2022 and March 31, 2023 are set out in **Annexure V** hereto.

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SECTION 6: REGULATORY DISCLOSURES

This Placement Memorandum is prepared in accordance with the provisions of SEBI Debt Listing Regulations and in this section, the Issuer has set out the details required as per the SEBI Debt Listing Regulations (including Schedule II thereof).

6.1 The Issuer shall file the following documents along with the listing application to the stock exchange and with the Debenture Trustee:

The following documents have been / shall be submitted to the BSE and the Debenture Trustee:

- (a) Placement Memorandum;
- (b) Memorandum of Association and Articles of Association;
- (c) Copy of the requisite board/ committee resolutions authorizing the borrowing and list of authorised signatories for the allotment of securities;
- (d) Copy of last three years Annual Reports;
- (e) Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- (f) An undertaking from the issuer stating that the necessary documents for creation of the charge, wherever applicable, including the Trust Deed has been executed within the time frame prescribed in the relevant regulations/Act/rules etc. and the same would be uploaded on the website of the designated stock exchange, where such securities have been proposed to be listed;
- (g) In case of debt securities, an undertaking that permission / consent from the prior creditor for a second or pari passu charge being created, wherever applicable, in favour of the debenture trustee to the proposed issue has been obtained;
- (h) Any other particulars or documents that the recognized stock exchange may call for as it deems fit;
- (i) Due diligence certificate from the Debenture Trustee in the format as specified in Schedule IVA of the Debt Listing Regulations; and
- (j) If applicable, due diligence certificate from the Debenture Trustee as per the format specified in the SEBI Debenture Trustees Operational Circular.

6.2 The following documents have been / shall be submitted to BSE at the time of filing the draft of this Placement Memorandum:

Due diligence certificate from the Debenture Trustee as per the format as specified in Schedule IVA of the Debt Listing Regulations, and, if applicable, the format specified in SEBI Debenture Trustees Operational Circular.

6.3 Details of credit rating, along with the latest press release of the Credit Rating Agency in relation to the issue and declaration that the rating is valid as on the date of issuance and listing. Such press release shall not be older than one year from the date of opening of the issue.

The Debentures have been rated A (Positive) by ICRA Limited. The rating letter, press release and the rating rationale from the Rating Agency is provided in **Annexure II**.

6.4 Name(s) of the stock exchange(s) where the non-convertible securities are proposed to be listed and the details of their in-principle approval for listing obtained from these stock exchange(s). If non-convertible securities are proposed to be listed on more than one stock exchange(s) then the issuer shall specify the designated stock exchange for the issue. The issuer shall specify the stock exchange where the recovery expense fund is being/has been created as specified by the Board.

The Debentures are proposed to be listed on the WDM segment of BSE within the time period prescribed in the SEBI Listing Timelines Requirements. The Issuer shall comply with the requirements of the listing agreement for debt securities to the extent applicable to it on a continuous basis.

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The Recovery Expense Fund is being/has been created by the Issuer with BSE.

The in-principle approval from BSE is provided in **Annexure XI**. The Debentures are not proposed to be listed on more than one stock exchange.

6.5 **Issue Schedule:**

PARTICULARS	DATE
Issue Opening Date	June 15, 2023
Issue Closing Date	June 15, 2023
Pay In Date	June 15, 2023
Deemed Date of Allotment	June 15, 2023

6.6 **Name, logo, addresses, website URL, email address, telephone number and contact person of:**

(a) **Debenture Trustee to the Issue**

Name	Catalyst Trusteeship Limited
Logo	
Address	604, Windsor Building, Kalina, Santacruz East, Mumbai – 400098, Maharashtra, India
Website	www.catalysttrustee.com
E-mail address	ComplianceCTL-Mumbai@ctltrustee.com
Telephone Number	+91 (022) 49220555
Contact Person Details	Ms. Deesha Trivedi

(b) **Credit Rating Agency for the Issue**

Name	ICRA Limited
Logo	
Address	Building No 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon - 122 002
Website	www.icra.in
E-mail address	jatin.arora@icraindia.com
Telephone Number	+91-124 45 45 846
Contact Person Details	Mr. Jatin Arora

(c) **Registrar the Issue**

Name	KFIN Technologies Limited (Formerly known as KFIN Technologies Private Limited)
Logo	
Address	Selenium Tower B, Plot No 31-32, Gachibowli, Financial District Nanakramguda, Serilingampally, Hyderabad 500032
Website	www.kfintech.com
E-mail address	einward.ris@kfintech.com

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Telephone Number	+9167162222
Contact Person Details	Jagannadh Chakka`

(d) **Statutory Auditors**

Name	S. R. Batliboi & Associates LLP
Logo	N.A.
Address	12 th Floor, The Ruby, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400028
Website	www.srb.in
E-mail address	SRBA@srb.in
Telephone Number	+91 22 6819 8000
Contact Person Details	Mr.Sarvesh Warty


(e) **Legal Counsel**

Name	N.A. The Issuer has been advised by its in-house legal and compliance team.
Logo	N.A.
Address	N.A.
Website	N.A.
E-mail address	N.A.
Telephone Number	N.A.
Contact Person Details	N.A.

(f) **Guarantor**

Name	N.A.
Logo	N.A.
Address	N.A.
Website	N.A.
E-mail address	N.A.
Telephone Number	N.A.
Contact Person Details	N.A.

(g) **Arrangers**

Name	Tipsons Consultancy Services Pvt. Ltd.
Logo	
Address	ONE BKC - G Block, 704-C Wing, Bandra Kurla Complex, Bandra East, Mumbai- 400051
Website	www.tipsons.com
E-mail address	nagesh.chauhan@tipsons.com
Telephone Number	+91 9820921288
Contact Person Details	Mr. Nagesh Singh Chauhan

6.7 **About the Issuer**

(A brief summary of the business/ activities of the Issuer and its subsidiaries with the details of branches or units if any and its line of business containing at least following information)

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(a) **Overview of the business of the Issuer**

The journey of Fincare Small Finance Bank Limited (FSFB) was the process of coming together of 2 NBFC Micro Finance Institutions, Future Financial Services and Disha Microfin.

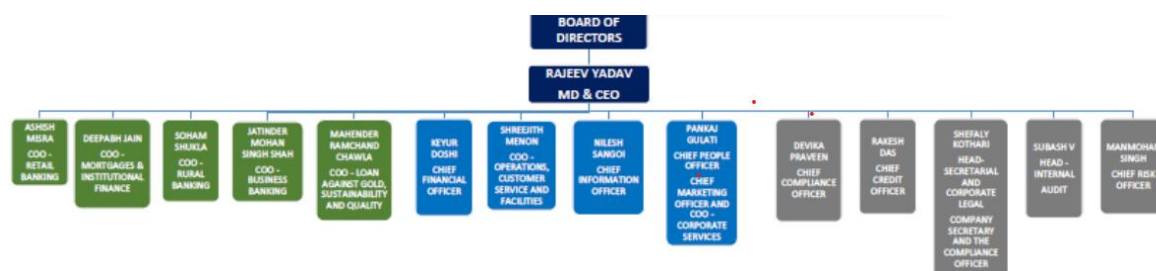
Fincare Small Finance Bank Limited is a Scheduled Bank in India having commenced its operations as a small finance bank with effect from July 21, 2017. The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.8140/16/13.216/2018-19 dated March 28, 2019 and published in the Gazette of India on April 13, 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two-wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

As of March 31, 2023, FSFB had a Gross Loan Portfolio of Rs 9,911 Crores and deposit base of Rs.8,033 Crores.

(b) **Corporate Structure of the Issuer**

The graphic description/organogram of the corporate structure of the Issuer is as follows:



(c) **Project cost and means of financing, in case of funding of new projects:** Not applicable.

6.8 **Financial Information**

(a) **A columnar representation of the audited financial statements (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) both on a standalone and consolidated basis for a period of three completed years which shall not be more than six months old from the date of the placement memorandum or issue opening date, as applicable.**

Consolidated

Not applicable as the Issuer does not maintain financial statements on a consolidated basis.

Standalone

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Balance Sheet

(Amt in Lacs)

	As on 31 March 2023	As on 31 March 2022	As on 31 March 2021
Capital & Liabilities			
Capital	22,078	22,078	6,361
Employees stock options outstanding	1,458	638	100
Reserves and surplus	107,835	97,471	95,329
Deposits	803,319	645,616	531,850
Borrowings	278,400	294,354	140,043
Other liabilities and provisions	33,679	29,999	23,024
TOTAL	1,246,769	1,090,156	796,707
Assets			
Cash and balances with Reserve Bank of India	65,438	111,679	103,650
Balances with banks and money at call and short notice	11,781	11,917	11,913
Investments	252,284	215,163	127,936
Advances	870,242	703,696	530,112
Fixed assets	5,630	4,234	3,619
Other assets	41,394	43,467	19,477
TOTAL	1,246,769	1,090,156	796,707

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Profit & Loss

(Amt in Lacs)

Particulars	Year ended	Year ended	Year ended
	31 March 2023	31 March 2022	31 March 2021
I. Income			
Interest earned	174,411.88	144,857.39	125,105.88
Other income	22,667.70	19,616.33	12,565.08
TOTAL	197,079.59	164,473.72	137,670.96
II. Expenditure			
Interest expended	65,367.53	56,978.24	55,004.80
Operating expenses	87,405.17	64,679.63	46,328.09
Provision and contingencies	33,942.80	41,928.83	25,024.23
TOTAL	186,715.50	163,586.69	126,357.12
III. Profit / (loss)			
Net profit / (loss) for the year	10,364.09	887.02	11,313.84
Profit / (loss) brought forward	17,520.54	18,109.62	9,707.40

Particulars	Year ended	Year ended	Year ended
	31 March 2023	31 March 2022	31 March 2021
Cash flows from/(used in) operating activities:			
Profit before tax	1,299.68	57.46	1,464.19
Adjustments for :			
Depreciation and amortisation expenses	214.03	201.19	170.08
Amortisation of premium on investments	108.07	103.19	68.49
(Profit) / loss on disposal of fixed assets	(0.22)	0.29	(0.08)
Employee stock option cost	81.91	53.80	9.97
Loan portfolio written off (net of recovery)	5,515.85	3,695.10	339.31
Provision for loan portfolio	(1,626.83)	600.24	1,857.22
Provision for other contingencies	36.42	2.19	(26.67)
Provision / depreciation - Investments	45.14	56.11	(0.51)
Long term retention bonus expense	-		-
(Profit) on sale of investment in SLR2 securities	(2.86)	(53.95)	(12.21)
Loss on sale of investment in SLR2 securities	64.16	28.41	9.94
(Profit) on sale of investment in mutual funds	-	(1.92)	(2.93)
Operating profits before working capital changes	5,735.35	4,742.11	3,876.80
Movement in working capital:			
Increase in deposits	15,770.22	11,370.80	6,645.67
Increase / (decrease) in other liabilities	492.60	1,318.58	408.98
(Increase) in investments (net)	(2,044.24)	(6,304.88)	116.50
(Increase) in advances	(20,690.93)	(22,229.82)	(6,996.81)

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Decrease / (increase) in fixed deposits	245.64	(375.16)	(51.57)
(Increase) in other assets	542.15	(2,013.79)	(2.05)
Cash generated (used in) / from operating activities	50.79	(13,492.16)	3,997.51
Taxes on income paid, net	(611.52)	(395.36)	(612.89)
Net cash (used in) / generated from operating activities	(560.73)	(13,887.52)	3,384.62
Cash flows from investing activities:			
Purchase of fixed assets	(354.67)	(263.59)	(129.15)
Proceeds from sale of fixed assets	1.20	0.66	0.88
Purchase of investments in Govt Securites (HTM)	(2,452.43)	(3,467.34)	(2,906.21)
Proceeds from maturity of investments in Govt Securites (HTM)	570.00	915.84	
Purchase of investments in mutual funds	-	(499.98)	(1,799.98)
Proceeds from sale of investments in mutual funds	-	501.90	1,802.86
Proceeds from term money lending	-	-	-
Net cash generated / (used in) from investing activities	(2,235.90)	(2,812.51)	(3,031.60)
Cash flows from financing activities:			
Proceeds from issue of equity shares	-	1,697.07	-
Share / debenture issue expenses	-	-	-
Repayment of borrowing under the LAF3 segment	(560.00)	-	(470.00)
Proceeds from borrowing under the LAF3 segment	-	5,400.00	-
Proceeds from loans availed from banks and financial institutions	10,000.00	13,580.42	4,700.00
Repayment of loans availed from banks and financial institutions	(10,785.44)	(3,549.34)	(3,907.33)
Proceeds from issue of non-convertible debentures	-	-	-
Redemption of non-convertible debentures	(250.00)	-	-
Net cash generated / (used in) from financing activities	(1,595.44)	17,128.15	322.67
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	(4,392.07)	428.12	675.70
Cash and cash equivalents at the beginning of the year	11,856.44	11,428.32	10,752.62
Cash and cash equivalents at the end of the year	7,464.37	11,856.44	11,428.32

Please also refer Annexure V.

Note: Listed issuers (whose debt securities or specified securities are listed on recognised stock exchange(s)) in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, may disclose unaudited financial information for the stub period in the format as prescribed therein with limited review report in the placement memorandum, as filed with the stock exchanges, instead of audited financial statements for stub period, subject to making necessary disclosures in this regard in placement memorandum including risk factors: Not applicable as the audited financial statements of the Issuer for the Financial Year ended March 31, 2023 are set out in Annexure V.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

- (b) **Issuers other than unlisted REITs / unlisted InvITs desirous of issuing debt securities on private placement basis and who are in existence for less than three years may disclose financial statements mentioned at (a) above for such period of existence, subject to the following conditions:**
- i. The issue is made on the EBP platform irrespective of the issue size; and**
 - ii. The issue is open for subscription only to Qualified Institutional Buyers**

N.A.

- (c) **The above financial statements shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc.**

Please refer **Annexure V** for the audited financial statements of the Issuer for the Financial Year ended March 31, 2021, March 31, 2022 and March 31, 2023 along with the auditor's report along with the requisite schedules, footnotes, summary etc.

- (d) **Key Operational and Financial Parameters on a consolidated basis and standalone basis (in INR, in Lakh)**

Standalone Basis

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
Balance Sheet			
Net Fixed assets	3,619	4,234	5,631
Current assets	NA	NA	NA
Non-current assets	NA	NA	NA
Total assets	796,707	1,090,157	1,246,769
Non-Current Liabilities (including maturities of long-term borrowings and short-term borrowings) Financial (borrowings, trade payables, and other financial liabilities) Provisions Deferred tax liabilities (net) Other non-current liabilities	NA	NA	NA
Current Liabilities (including maturities of long-term borrowings) Financial (borrowings, trade payables, and other financial liabilities) Provisions Current tax liabilities (net) Other current liabilities	NA	NA	NA
Equity (equity and other equity)	6,361	22,078	22,078
Total equity and liabilities	796,708	1,090,157	1,246,769

Profit and Loss

Total revenue From operations & Other income	137,671	164,473	197,080
Total Expenses	126,357	163,586	152,773

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Total comprehensive income (Profit Before Tax)	14,642	575	12,997
Profit / loss after tax	11,313	887	10,364
Earnings per equity share: (a) basic; and	5.55	0.38	4.69
(b) diluted	5.55	0.38	4.68
Continuing operations			
Discontinued operations			
Total Continuing and discontinued operations			

Cash Flow

Net cash generated from operating activities	33,846	(138,876)	(5,606)
Net cash used in / generated from investing activities	(30,316)	(28,125)	(22,359)
Net cash used in financing activities	3,226	171,282	(15,995)
Cash and cash equivalents	6,757	4,281	(43,920)
Balance as per statement of cash flows	114,283	118,564	74,644

Additional Information

Net worth	95,140	110,885	123,437
Cash and Cash Equivalents	115,562	13,596	77,219
Current Investments	NA	NA	NA
Assets Under Management (Gross Loan Portfolio)	607,221	760,017	991,114
Off Balance Sheet Assets	56,592	24,041	103,328
Total Debts to Total assets	84.33%	86.22%	86.76%
Debt Service Coverage Ratios	NA	NA	NA
Interest Income	125,106	144,857	174,412
Interest Expense	55,005	56,978	65,368
Interest service coverage ratio	NA	NA	NA
Provisioning & Contingencies	25,024	41,929	31,310
Bad debts (write off) to Account receivable ratio (GLP)	0.62%	5.02%	6.21%
Gross NPA (%)	6.42%	7.79%	3.25%
Net NPA (%)	2.80%	3.55%	1.30%
Tier I Capital Adequacy Ratio (%)	24.91%	19.48%	18.64%
Tier II Capital Adequacy Ratio (%)	4.65%	2.84%	1.40%

Consolidated Basis

Not applicable as the Issuer does not maintain financial statements on a consolidated basis.

(e) ***Debt: Equity Ratio of the Issuer***

Before the issue (as on March 31, 2023)	1.47
After the issue	1.51

6.9 **Details of any other contingent liabilities of the issuer based on the last audited financial statements including amount and nature of liability**

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PARTICULARS	AS OF MARCH 31, 2023 (IN CRS)
Cash Collateral	25.42
Principal Subordination	35.60

6.10 A brief history of the Issuer since its incorporation giving details of its following activities:

(a) *Details of Share Capital as on last quarter end, i.e., March 31, 2023*

SHARE CAPITAL	AMOUNT
Authorised Share Capital	
300,000,000 equity shares of INR 10 each	3,00,00,00,000
TOTAL	3,00,00,00,000
Issued, Subscribed and Fully Paid- up Share Capital	
22,07,79,720 equity shares of INR 10 each	220,77,97,200
TOTAL	220,77,97,200

(b) *Changes in its capital structure as on last quarter end i.e., March 31, 2023, for the last three years:*

DATE OF CHANGE (EGM)	PARTICULARS
25.03.2021	Increase in authorised capital from one hundred crore to 300 crore.

(c) *Equity Share Capital History of the Company for the last three years:*

DATE OF ALLOTMENT	NO. OF EQUITY SHARES	FACE VALUE (IN INR)	ISSUE PRICE (IN INR)	CONSIDERATION (CASH, OTHER THAN CASH, ETC)	NATURE OF ALLOTMENT	CUMULATIVE			REMARKS
						NO. OF EQUITY SHARES	EQUITY SHARE CAPITAL	EQUITY SHARE PREMIUM	
27.04.2021	998,27,59	10	170	Cash	Right issue of equity shares	7,35,93,240	73,59,32,400	-	-
04.05.2021	14,71,86,480	10	NA	NA	Bonus issue in 2:1 ratio	220779720	2207797200	-	-

(d) *Details of any Acquisition or Amalgamation in the last 1 (one) year:*

NIL

(e) *Details of any Reorganization or Reconstruction in the last 1 (one) year:*

TYPE OF EVENT	DATE OF ANNOUNCEMENT	DATE OF COMPLETION	DETAILS
NIL	NIL	NIL	NIL

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- (f) **Details of the shareholding of the Company as at the latest quarter end, as per the format specified under the listing regulations:** The shareholding pattern of the Issuer as of the last quarter end, i.e., March 31, 2023, prepared in accordance with the LODR Regulations is set out in **Annexure XII**.
- (g) **List of top 10 holders of equity shares of the Company as on the latest quarter end, i.e., March 31, 2023:**

S. NO.	NAME OF THE SHAREHOLDERS	TOTAL NUMBER OF EQUITY SHARES	NUMBER OF SHARES IN DEMAT FORM	TOTAL SHAREHOLDING AS PERCENTAGE (%) OF TOTAL NO. OF EQUITY SHARES
1	Fincare Business Services Limited	173489568	173489568	78.58
2	Amethyst Inclusion Pte Ltd	8,650,434	8,650,434	3.92
3	Vistra ITCL I Ltd Business Excellence Trust Iii India Business Excellence Fund Iii	7,374,297	7,374,297	3.34
4	Wagner Limited	5,480,130	5,480,130	2.48
5	True North Fund V Llp	5,159,355	5,159,355	2.34
6	Indium Iv Mauritius Holdings Limited	5,004,870	5,004,870	2.27
7	Omega Tc Holdings Pte Ltd	2,601,570	2,601,570	1.18
8	Leapfrog Rural Inclusion (India) Ltd	1,519,290	1,519,290	0.69
9	Kotak Mahindra Life Insurance Company Ltd.	1,465,440	1,465,440	0.66
10	Edelweiss Tokio Life Insurance Company Limited - Life Non-Par Fund	1,358,910	1,358,910	0.62

6.11 **Following details regarding the directors of the Company:**

- (a) **Details of the current directors of the Company:**

This table sets out the details regarding the Issuer's Board of Directors as on date of this Placement Memorandum:

S L	NAME	DESIGNATION	DIN	DOB	AGE (in years)	DATE OF APPOINTMENT	PERMANENT ADDRESS	DETAILS OF OTHER DIRECTORSHIP	WHETHER WILLFUL DEFAULT
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									TER (Y/N)
1	Pramod Kabra	Part-time Chairman and Non-Executive Director	02252403	20-Oct-59	64	19-Sep-13	T4/2101, Planet Godrej, K K Marg, Jacob Circle, Mumbai 400 011, Maharashtra, India	<ul style="list-style-type: none"> • Atria Convergence Technologies Limited; • Full Value Technologies Private Limited; • Kelp Systems Pte. Ltd.; and • Shree Digvijay Cement Co. Limited 	N
2	Rajeev Yadav	MD & CEO	00111379	13-Jul-69	54	17-Jul-17	Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesana Halli, Bellandur, Bangalore 560 103, Karnataka, India	NIL	N
3	Aarthi Sivanandh	Independent Director	00140141	4-Jul-77	46	28-Apr-21	Flat E G R N Sri Kripa Apartments No. 36 East Abhiramapuram, 2nd Street, Mylapore, Chennai 600 004, Tamil Nadu, India	Tata Technologies Limited	N
4	Alok Prasad	Independent Director	00080225	8-Sep-52	71	20-Jul-17	144, Vista Villas, Opposite Unitech Cyber Park, Sector 45, Gurgaon	<ul style="list-style-type: none"> • Arman Financial Services Limited; • Gang-Jong Developm 	N

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							122 001, Haryana, India	ent Finance Private Limited; and • Muthoot Microfin Limited	
5	Divya Sehgal	Nominee Director	01775 308	20- Oct- 72	51	13-Oct-21	Flat No 1307 & 1308, Wing A, 13th Floor, Ashok Tower, Dr. Ambebkar Road, Parel, Mumbai 400 012, Maharash tra, India	• Home First Finance Company India Limited; and • Niva Bup	N
6	Dhiraj Poddar	Nominee Director	01946 905	3- Nov- 74	49	27-Sep-21	G – 001, Springs, GD Ambedkar Marg, Near Wadala, Telephone Exchange, Dadar East, Mumbai 400 014, Maharash tra India	• Atria Convergen ce Technologi es Limited; • Indialdeas Com Limited; • Indira IVF Hospital Private Limited; • Loylty Rewardz Manageme nt Private Limited; • OmniActiv e Health Technologi es Limited; • Prudent Corporate Advisory Services Limited; • Synokem Pharmaceu ticals Limited and • Zifo Technologi	N

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								es Private Limited.	
7	Nanda Sameer Dave	Independent Director	08673208	31-Aug-60	63	21-Jun-21	B1101-02 Paras Emperor, Bawadia Kalan, Hazur, Bhopal 462 039, Madhya Pradesh, India	Kisetsu Saison Finance (India) Private Limited	N
8	Narayanan Rajagopalan Nadadur	Independent Director	07877022	3-Aug-62	61	6-Aug-22	A – 503, Gulmohar Apartments, Ceaser Road, Amboli, Andheri West, Mumbai 400 058, Maharashtra, India	Aditya Birla Housing Finance Limited	N
9	Sameer Yogesh Nanavati	Nominee Director	00157693	3-Oct-71	52	24-Jun-17	901/E, Safal Parivesh, Prahladnagar, Satellite Ahmedabad City, Ahmedabad, Manekbag 380 015, Gujarat, India	<ul style="list-style-type: none"> • Barefoot Organics Private Limited; • Green World ESG Consultants Foundation (Formerly known as Fincare Community 	N

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								Development Foundation); and • ILIFE Clinics and Research Private Limited	
10	Sunil Satyapal Gulati	Independent Director	00016990	28-Jul-61	62	20-Jul-17	Flat No. 703, Sterling Sea Face, Dr. A B Road, Near Poonam Chambers, Worli, Mumbai 400 018, Maharashtra, India	<ul style="list-style-type: none"> • Arthan Finance Private Limited; • Boson Systems Private Limited (formerly, Empays Payment Systems India Private Limited); • Merisis Advisors Private Limited; • Perfios Account Aggregation Services Private Limited • Revgro Capital Private Limited; • Samunnati Financial Intermediation & Services Private Limited; • SBI Mutual Fund Trustee Company Private Limited; • Tapstart Capital 	N

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								Private Limited; • Varthana Finance Private Limited (formerly, Thirumeni Finance Private Limited); and • Visage Holdings and Finance Private Limited;	
1 1	Vinay Bajjal	Independent Director	07516339	15-Jun-51	72	25-Feb-17	701, Lodha Grandeur, Sayani Road, Near Parel S. I. Depot, Prabhadevi, Mumbai 400 025, Maharashtra, India	• Aye Finance Private Limited; • Dreamplug Paytech Solutions Private Limited; and • Peridot Financial Services (India) Private Limited.	N

(b) **Details of change in directors since last three years:**

NAME	DESIGNATION	DIN	DATE OF APPOINTMENT	DATE OF CESSATION, IF APPLICABLE	DATE OF RESIGNATION, IF APPLICABLE	REMARKS
Narayanan Rajagopalan Nadadur	Independent Director	07877022	August 6, 2022	NA	NA	-
Varun Sablok	Independent Director	07704720	NA	August 30, 2022	NA	-
Ravindran Lakshmanan	Nominee Director	07631421	NA	October 5, 2021	NA	-
Anisha Motwani	Independent Director	06943493	NA	April 15, 2021	NA	-
Susan Thomas	Independent Director	00472794	NA	December 7, 2020	NA	-

6.12 **Following details regarding the auditors of the Issuer:**

(a) **Details of the auditor of the Issuer:**

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NAME OF THE AUDITOR	ADDRESS	AUDITOR SINCE
S R Batliboi & Associates LLP	12th Floor, The Ruby, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400028	September 30, 2021

(b) **Details of change in auditors since last three years:**

NAME OF THE AUDITOR	ADDRESS	DATE OF APPOINTMENT	DATE OF CESSATION, IF APPLICABLE	DATE OF RESIGNATION, IF APPLICABLE
Walker Chandiook & Company LLP	11 th Floor, Tower II, One Financial Centre, SB Marg, Elphinstone West, Mumbai – 400013	2nd September 2014	31-Mar-21	NA
S R Batliboi & Associates LLP	12th Floor, The Ruby, 29th Senapati Bapat Marg, Dadar West, Mumbai - 400028	08-Nov-21	NA	NA

6.13 **Details of borrowings of the Company, as at the end of the last quarter or if available, a later date:**

The information set out in (a) to (d) and (f) below has been disclosed as of March 31, 2023.

(a) **Details of Outstanding Secured Loan Facilities:**

NAME OF LENDER	TYPE OF FACILITY	AMOUNT SANCTIONED (IN INR)	PRINCIPAL AMOUNT OUTSTANDING (IN INR)	REPAYMENT DATE/SCHEDULE	SECURITY
NIL	NIL	NIL	NIL	NIL	NIL

(b) **Details of Outstanding Unsecured Loan Facilities:**

NAME OF LENDER	TYPE OF FACILITY	AMOUNT SANCTIONED (IN INR, IN CRORE)	PRINCIPAL AMOUNT OUTSTANDING (IN INR, IN CRORE)	REPAYMENT DATE/SCHEDULE
MUDRA	Refinance	80.00	41.00	01-07-24
MUDRA	Refinance	200.00	183.30	01-01-26
NABARD	Refinance	200.00	80.00	31-12-23
NABARD	Refinance	500.00	120.00	31-03-24
NABARD	Refinance	300.00	219.00	31-01-25
NABARD	Refinance	100.00	40.00	31-03-25
NABARD	Refinance	300.00	300.00	31-12-25
NABARD	Refinance	250.00	162.00	28-02-26
NABARD	Refinance	200.00	160.00	30-09-26
NABARD	Refinance	200.00	170.00	28-02-27
National Housing Bank	Refinance	20.00	14.50	01-10-30
Reserve Bank of India	SLTRO	200.00	200.00	16-05-24
Reserve Bank of India	SLTRO	190.00	190.00	14-06-24

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Reserve Bank of India	SLTRO	150.00	150.00	12-07-24
Small Industries Development Bank of India	Refinance	100.00	8.37	10-04-23
Small Industries Development Bank of India	Refinance	150.00	100.00	10-03-25
Small Industries Development Bank of India	Refinance	200.00	183.33	10-11-25
Small Industries Development Bank of India	Refinance	150.00	137.50	10-12-25
Small Industries Development Bank of India	Refinance	150.00	150.00	10-03-26
IDFC First Bank Limited	Sub Debt	100.00	100.00	30-09-25
INE519Q08137_Retail Investors	Sub Debt	38.00	38.00	22-06-24
INE519Q08145_Retail Investors	Sub Debt	37.00	37.00	20-06-24
Grand Total		4,990.39	2,784.00	

(c) **Details of Outstanding Non-Convertible Securities:**

SERIES OF NCS	TENOR / PERIOD OF MATURITY	COUPON	AMOUNT (IN INR)	DATE OF ALLOTMENT	REDEMP TION DATE / SCHEDULE	CREDIT RATING	SECURED / UNSECURED	SECURITY
INE519Q08152	6 Years	12.87%	100,00,00,000/-	30 th Sep 2019	30 th Sep 2025	A (Positive)	Unsecured	NA
INE519Q08145	6 Year, 3 Months	11.30%	37,00,00,000/-	20 th March 2018	20 th June 2024	A (Positive)	Unsecured	NA
INE519Q08137	6 Year, 3 Months	11.30%	38,00,00,000/-	22 nd March 2018	22 nd June 2024	A (Positive)	Unsecured	NA

(d) **List of Top 10 holders of non-convertible securities in terms of value (in cumulative basis)**

SI No	NAME OF LENDER	AMOUNT (IN INR)	% OF TOTAL NON-CONVERTIBLE SECURITIES OUTSTANDING
1	IDFC FIRST BANK LIMITED	1,000,000,000	57.14%
2	TATA CAPITAL FINANCIAL SERVICES LTD	361,600,000	20.66%
3	IDFC FIRST BANK LIMITED	180,000,000	10.29%
4	THE FEDERAL BANK LIMITED	100,000,000	5.71%
5	BHASKAR MOHANLAL SHAH	2,300,000	0.13%
6	RASHMI KHANNA	1,600,000	0.09%
7	KERALA JESUIT SOCIETY	1,500,000	0.09%
8	OMAM CONSULTANTS PRIVATE LIMITED	1,400,000	0.08%
9	RAMILA SANATBHAI SHUKLA	1,200,000	0.07%
10	YOGESH MARKANDRAI NANAVATI	1,200,000	0.07%

(e) **Details of Outstanding Commercial Paper as at the end of the last quarter, i.e., March 31, 2023 in the following format: Nil**

S. NO.	ISIN OF COMMERCIAL PAPER	MATURITY DATE	AMOUNT OUTSTANDING
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Nil	Nil	Nil	Nil
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- (f) **Details of the Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares): Nil**

NAME OF PARTY (IN CASE OF FACILITY)/ NAME OF INSTRUMENT	TYPE OF FACILITY / INSTRUMENT	AMOUNT SANCTIONED/ ISSUED	PRINCIPAL AMOUNT OUTSTANDING	DATE OF REPAYMENT/ SCHEDULE	CREDIT RATING	SECURED / UNSECURED	SECURITY
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- 6.14 **Details of any outstanding borrowings taken/ debt securities issued for consideration other than cash. This information shall be disclosed whether such borrowing/ debt securities have been taken/ issued: (i) in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option or not:**

Nil

- 6.15 [INTENTIONALLY LEFT BLANK]

- 6.16 **Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the Company, in the past 3 years including the current financial year:**

Nil

- 6.17 **Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/promoters, litigations resulting in material liabilities, corporate restructuring event etc) at the time of issue which may affect the issue or the investor's decision to invest / continue to invest in the non-convertible securities.**

Nil

- 6.18 **Any litigation or legal action pending or taken by a Government Department or a statutory body during the last three years immediately preceding the year of the issue of prospectus against the promoter of the Company:**

Nil

- 6.19 **Details of default and non-payment of statutory dues**

Nil

- 6.20 **The names of the debenture trustee(s) shall be mentioned with statement to the effect that debenture trustee(s) has given its consent for appointment along with the copy of the consent letter from the debenture trustee.**

The Debenture Trustee for the proposed issuance of Debentures is Catalyst Trusteeship Limited. Debenture Trustee has given its written consent for its appointment as debenture trustee to the Issue and inclusion of its name in the form and context in which it appears in this Placement Memorandum and in all the subsequent periodical communications sent to the Debenture Holders.

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The consent letter from Debenture Trustee is provided in **Annexure III** of this Placement Memorandum.

- 6.21 **If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document**

Not applicable.

- 6.22 **Disclosure of Cash flow with date of interest/dividend/ redemption payment as per day count convention:** Please refer Annexure VI.

- (a) ***The day count convention for dates on which the payments in relation to the non-convertible securities which need to be made, should be disclosed:***

- (i) Interest and all other charges shall accrue based on an actual/actual basis.
- (ii) All payments in respect of the Debentures required to be made by the Issuer shall be made on a Business Day.
- (iii) If any Due Date on which any interest or additional interest is payable falls on a day which is a Sunday or is not a Business Day, the payment to be made on such Due Date shall be made on the succeeding Business Day.
- (iv) If any Due Date on which any Outstanding Principal Amounts are payable falls on a day which is a Sunday or is not a Business Day, the payment to be made on such Due Date shall be made on the preceding Business Day.
- (v) If the Final Redemption Date falls on a day which is a Sunday or is not a Business Day, the payment of any amounts in respect of the Outstanding Principal Amounts to be made shall be made on the preceding Business Day.
- (vi) In the absence of anything to the contrary, if any day for performance of any acts under the Transaction Documents (other than those set out in (iii) to (v) above) falls on a day which is not a Business Day, such acts shall be performed shall be made on the succeeding Business Day.

- (b) ***Procedure and time schedule for allotment and issue of securities should be disclosed:*** Please refer Section 6.5 and Section 9.

- (c) ***Cash flows emanating from the non-convertible securities shall be mentioned in the offer document, by way of an illustration:*** Please refer Annexure VI.

- 6.23 **Disclosures pertaining to wilful defaulter:** NIL

- (a) **The following disclosures shall be made if the issuer or its promoter or director is declared wilful defaulter:**

- (i) ***Name of the bank declaring as a wilful defaulter:*** N.A.
- (ii) ***The year in which it was declared as a wilful defaulter:*** N.A.
- (iii) ***Outstanding amount when declared as a wilful defaulter:*** N.A.
- (iv) ***Name of the entity declared as a wilful defaulter:*** N.A.

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- (v) **Steps taken, if any, for the removal from the list of wilful defaulters:** N.A.
- (vi) **Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions:** N.A.
- (vii) **Any other disclosure as specified by the Board:** N.A.

- (b) **The fact that the issuer or any of its promoters or directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross-referencing to the pages:** N.A.

6.24 **Undertaking by the Issuer:** Please refer Section 7.1.

6.25 **Risk Factors:** Please refer Section 4.

6.26 **Attestation by Directors:** Please refer Section 7.3.

6.27 **Disclosure in case of non-convertible preference shares:** Not Applicable.

6.28 **Other details:**

- (a) **Creation of Debenture Redemption Reserve (DRR) / Capital Redemption Reserve (CRR) - relevant legislations and applicability:**

- (i) It is hereby clarified that as on the date of this Placement Memorandum, pursuant to the Companies (Share Capital and Debenture Rules), 2014, banking companies registered with the RBI are exempted from the requirement to maintain a debenture redemption reserve ("**DRR**") in case of privately placed debentures.
- (ii) The Issuer hereby agrees and undertakes that, if required under Applicable Law, it will create a DRR in accordance with the provisions of the Act (and the rules and regulations made thereunder) and the guidelines issued by the relevant Governmental Authorities.
- (iii) If during the tenor of the Debentures, any guidelines are formulated (or modified or revised) by any Governmental Authority in respect of creation of the DRR, the Issuer shall abide by such guidelines and shall do all deeds, acts and things as may be required by the Debenture Trustee.
- (iv) In addition to the foregoing, to the extent required by Applicable Law, the Issuer shall invest or deposit amounts up to such thresholds, and in such form and manner and within the time periods, as may be prescribed by Applicable Law, in respect of any amounts of the Debentures maturing in any Financial Year.

- (b) **Issue/instrument specific regulations - relevant details (Companies Act, Reserve Bank of India guidelines, etc.):**

The Issue of Debentures shall be in conformity with the applicable provisions of the Companies Act including the relevant notified rules thereunder, the SEBI Debt Listing Regulations, the LODR Regulations, the Debenture Trustees Regulations, the SEBI Listed Debentures Circulars, and other RBI guidelines and SEBI guidelines applicable to issuance of non-convertible debentures on a private placement basis.

- (c) **Default in Payment:**

Please refer the sections named "*Default Interest Rate*", "*Event of Default (including manner of voting /conditions of joining Inter Creditor Agreement)*" and "*Additional Disclosures*"

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(Default in Payment)" of Section 8.1 (*Summary Terms*) in respect of the additional interest in the event of a Payment Default.

(d) **Delay in Listing:**

Please refer the section named "*Listing (name of stock Exchange(s) where it will be listed and timeline for listing)*" of Section 8.1 (*Summary Terms*) in relation to the listing requirements in respect of the Debentures and section named "*Additional Disclosures (Delay in Listing)*" of Section 8.1 (*Summary Terms*) in respect of the default interest in the event of delay in listing.

(e) **Delay in allotment of securities:**

(i) The Issuer shall ensure that the Debentures are allotted to the respective Debenture Holders and are credited into the demat accounts of the relevant Debenture Holders within the timelines prescribed under the SEBI Listing Timelines Requirements.

(ii) The Debentures have been deemed to be allotted to the Debenture Holders on June 15, 2023 ("**Deemed Date of Allotment**"). All benefits relating to the Debentures are available to the Debenture Holders from the Deemed Date of Allotment.

(iii) If the Issuer fails to allot the Debentures to the Applicants within 60 (sixty) calendar days from the date of receipt of the Application Money ("**Allotment Period**"), it shall repay the Application Money to the Applicants within 15 (fifteen) calendar days from the expiry of the Allotment Period ("**Repayment Period**").

(iv) If the Issuer fails to repay the Application Money within the Repayment Period, then Company shall be liable to repay the Application Money along with interest at 12% (twelve percent) per annum, gross of withholding taxes, from the expiry of the Allotment Period.

(f) **Issue details:** Please refer Section 8.

(g) **Application process:** The application process for the Issue is as provided in Section 9 of this Placement Memorandum.

(h) **Disclosure prescribed under PAS-4 of Companies (Prospectus and Allotment of Securities) Rules, 2014 but not contained in this schedule, if any:** The finalised form of the PPOA prepared in accordance with the Form PAS 4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014 is provided as Annexure XIII. Please refer Annexure XIII for all disclosures required under the Companies (Prospectus and Allotment of Securities) Rules, 2014 are set out therein.

(i) **Project details: gestation period of the project; extent of progress made in the project; deadlines for completion of the project; the summary of the project appraisal report (if any), schedule of implementation of the project:** Not applicable.

6.29 **Details in case of non-convertible redeemable preference shares issue:** Not Applicable.

6.30 **Summary Terms:** Please refer Section 8.1.

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SECTION 7: UNDERTAKINGS AND DISCLOSURES BY THE ISSUER AND DIRECTORS

7.1 UNDERTAKING BY THE ISSUER

- (a) Investors are advised to read the risk factors (set out in Section 4) carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the offer including the risks involved. The securities/Debentures have not been recommended or approved by the any regulatory authority in India, including the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

Specific attention of investors is invited to the statement of 'Risk factors' given on page number 15 under the section 'General Risks'.

- (b) The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document/Placement Memorandum contains all information with regard to the Issuer and the Issue, that the information contained in the offer document/Placement Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Offer Document/Placement Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.
- (c) The Issuer has no side letter with any debt securities holder except the one(s) disclosed in the offer document/Placement Memorandum. Any covenants later added shall be disclosed on the stock exchange website where the debt is listed.

7.2 UNDERTAKING ON SECURITY

Not applicable. The Debentures are unsecured and subordinated debt instruments.

7.3 ATTESTATION BY DIRECTORS

The directors of the Issuer hereby attest as follows:

- (a) The Issuer is in compliance with the provisions of Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992, Companies Act, 2013 and the rules and regulations made thereunder.
- (b) The compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of non-convertible securities, is guaranteed by the Central Government.
- (c) The monies received under the offer shall be used only for the purposes and objects indicated in the Offer Document/Placement Memorandum.
- (d) Whatever is stated in this Offer Document/Placement Memorandum and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form/Placement Memorandum has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.
- (e) General Risk:

Investment in non-convertible securities involve a degree of risk and investors should not invest any funds in such securities unless they can afford to take the risk attached to such investments. Investors are advised
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to take an informed decision and to read the risk factors carefully before investing in this offering. For taking an investment decision, investors must rely on their examination of the issue including the risks involved in it. Specific attention of investors is invited to statement of risk factors contained under Section 4 of this Placement Memorandum. These risks are not, and are not intended to be, a complete list of all risks and considerations relevant to the non-convertible securities or investor's decision to purchase such securities.

On behalf of the directors of the Issuer:

The image shows a handwritten signature in black ink, which appears to be 'Shefaly Kothari', written over a horizontal line. To the right of the signature is a circular stamp. The text around the perimeter of the stamp reads 'Finance Bank Ltd.' and there is a small star symbol at the bottom center of the stamp.

Name: Shefaly Kothari

Designation: Company Secretary

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SECTION 8: TERMS OF THE ISSUE

8.1 SUMMARY TERMS

Security Name (Name of the non-convertible securities which includes (Coupon/dividend, Issuer Name and maturity year) e.g. 8.70% XXX 2015.	10.75% FINCARE SMALL FINANCE BANK LIMITED 2028
Issuer	Fincare Small Finance Bank Limited
Type of Instrument	Rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures
Nature of Instrument (Secured or Unsecured)	Unsecured
Seniority (Senior or Subordinated)	Subordinated
Eligible Investors	Please refer Section 9.14.
Listing (name of stock Exchange(s) where it will be listed and timeline for listing)	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Listed on BSE</i></p> <p><i>The issuer agrees to list the Debenture on the WDM of the stock exchange, within a maximum period of 3 days from the Deemed Date of Allotment</i></p> <p><i>The issue will be listed within 3 days from the Deemed Date of Allotment. In case of delay in listing, Bank will pay penal interest of 2% p.a. over the coupon rate from the expiry of 3 days from the Deemed Date of Allotment till the listing of such securities to the Investor".</i></p> <p>This will be set out in greater detail in the DTD.</p>
Rating of the Instrument	"A" (Positive Outlook) by ICRA Limited
Issue Size	INR 49,00,00,000 (Rupees Forty Nine Crore)
Minimum Subscription	The minimum application size for the Issue shall be 100 (one hundred) Debentures and in multiples of 1 (one) thereafter.
Option to retain oversubscription (Amount)	Not applicable.
Objects of the Issue / Purpose for which there is requirement of funds	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Augmenting lower Tier II Capital (as defined in the New Capital Adequacy Framework issued by RBI) of the Issuer for strengthening its capital adequacy and for enhancing its long-term resources" and "The proceeds of issue shall be utilized for regular business activities of the Bank".</i></p> <p>This will be set out in greater detail in the DTD.</p>
In case the issuer is a NBFC and the objects of the issue entail loan to any entity who is a 'group company' then disclosures shall be made in the following format:	Not applicable.

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Details of the utilization of the Proceeds	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Augmenting lower Tier II Capital (as defined in the New Capital Adequacy Framework issued by RBI) of the Issuer for strengthening its capital adequacy and for enhancing its long-term resources" and "The proceeds of issue shall be utilized for regular business activities of the Bank".</i></p> <p>This will be set out in greater detail in the DTD.</p>
Coupon/Dividend Rate	10.75% (Ten Point Seventy Five Percent) per annum payable monthly
Step Up/Step Down Coupon Rate	Not Applicable
Coupon/Dividend Payment Frequency	Monthly and at the time of redemption of the Debentures
Coupon/Dividend Payment Dates	Please refer Annexure VI.
Cumulative / non cumulative, in case of dividend	Not Applicable.
Coupon Type (Fixed, floating or other structure)	Fixed
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	Not Applicable
Day Count Basis (Actual/Actual)	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Interest for each of the interest periods shall be computed as per Actual/ Actual day count conversion on the face value/principal outstanding at the Coupon rate rounded off to the nearest rupee.</i></p> <p><i>Interest Period means each period beginning on (and including) the Deemed Date of Allotment (s) or any Coupon Payment Date and ending on (but excluding) the next Coupon Payment Date."</i></p> <p>This will be set out in greater detail in the DTD.</p>
Interest on Application Money	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Interest on application money will be the same as the Coupon rate (subject to deduction of Tax at Source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modifications or re-enactment thereof) and will be paid on application money to the applicants from the date of transfer of funds in the Issuer's bank account upto 1 (One) day prior to the date of allotment of Debentures."</i></p> <p>This will be set out in greater detail in the DTD.</p>
Default Interest Rate	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"In relation to the principal amount and coupon payable in respect of the Debentures, in case the same is not paid on the respective Due Dates, the defaulted amounts shall carry further interest at the rate of 2% (Two Percent)</i></p>

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	<i>per annum over and above the Coupon Rate, from the date of occurrence of such default up to the date on which the defaulted amounts together with default interest is paid."</i>
	This will be set out in greater detail in the DTD.
Tenor	5 (five) years and 6 (six) months from the Deemed Date of Allotment
Redemption Date	December 15, 2028
Redemption Amount	The term sheet executed by the Issuer in respect of this Issue prescribes as follows: <i>"The Redemption Amount would be Rs. 1,00,000/- (Rupees One Lakh only) per Debenture plus interest accrued but not paid till the date of redemption."</i> This will be set out in greater detail in the DTD.
Redemption Premium/Discount	Not Applicable
Issue Price	INR 1,00,000 (Rupees One Lakh) per Debenture
Discount at which security is issued and the effective yield as result of such discount	Not Applicable
Put Date	Not Applicable
Put Price	Not Applicable
Call Date	Not Applicable
Call Price	Not Applicable
Put Notification Time (Timelines by which the investor need to intimate Issuer before exercising the put)	Not Applicable
Call Notification Time (Timelines by which the Issuer need to intimate investor before exercising the call)	Not Applicable
Face Value	INR 1,00,000 (Rupees One Lakh) per Debenture
Minimum subscription amount and in multiples thereafter	The minimum application size for the Issue shall be 100 (one hundred) Debentures and in multiples of 1 (one) thereafter.
Issue Timing	
1. Issue Opening Date	June 15, 2023
2. Issue Closing Date	June 15, 2023
3. Date of earliest closing of the issue, if any.	N.A.
4. Pay-in Date	June 15, 2023
5. Deemed Date of Allotment	June 15, 2023
Settlement Mode of the Instrument	Please refer Section 9 below.
Depository	NSDL and CDSL
Disclosure of Interest/Dividend/ redemption dates	Please refer Annexure VI below.

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Record Date	The date falling 15 (fifteen) days prior to each Due Date.
All covenants of the issue (including side letters, accelerated payment clause, etc.)	To be more particularly set out in the DTD and the other Transaction Documents. All other covenants commercially agreed with the proposed investors are set out in this Section 8.1 (<i>Summary Terms</i>).
Description regarding Security (where applicable) including type of security (movable/immovable/tangible etc.), type of charge (pledge/ hypothecation/ mortgage etc.), date of creation of security/ likely date of creation of security, minimum security cover, revaluation, replacement of security, interest to the debenture holder over and above the coupon rate as specified in the Trust Deed and disclosed in the Placement Memorandum	<p>I. SECURITY</p> <p>Not applicable. The Debentures are unsecured and subordinated debt instruments.</p> <p>II. SPECIFIC DISCLOSURES</p> <p>(a) Type of security: Not applicable.</p> <p>(b) Type of charge: Not applicable.</p> <p>(c) Date of creation of security/ likely date of creation of security: Not applicable.</p> <p>(d) Minimum security cover: Not applicable.</p> <p>(e) Revaluation: Not applicable.</p> <p>(f) Replacement of security: Not applicable.</p> <p>(g) Interest over and above the coupon rate: Not applicable.</p>
Transaction Documents	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p>"1. <i>Information Memorandum</i></p> <p>2. <i>Debenture Trustee Agreement</i></p> <p>3. <i>Debenture Trust Deed; and</i></p> <p>4. <i>any other document that may be designated by the Debenture Trustee and the Bank as a Transaction Document.</i>"</p> <p>This will be set out in greater detail in the DTD.</p>
Conditions precedent to Disbursement	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p>"1. <i>Issuance of Information Memorandum.</i></p> <p>2. <i>Relevant corporate authorizations of the Issuer (including, without limitation, the relevant shareholders' resolution and board resolution(s).</i></p> <p>3. <i>Issuance of the Private Placement Offer cum Application Letter.</i></p> <p>4. <i>Consent letter from the Debenture Trustee.</i></p> <p>5. <i>Execution of the Debenture Trustee Agreement</i></p>

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	<p>6. <i>Appointment of the R&T Agent.</i></p> <p>7. <i>Rating letter and rationale from ICRA.</i></p> <p>8. <i>Execution of the tripartite agreement between the Issuer, the R&T Agent and the Depositories.; and In-principle approval for listing of the Debentures</i></p> <p>9. <i>Listing agreement with BSE."</i></p> <p>This will be set out in greater detail in the DTD.</p>
<p>Conditions Subsequent to Disbursement</p>	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p>"1. <i>Filing the return of allotment in Form PAS-3 within the timelines prescribed under the Act and the rules framed thereunder.</i></p> <p>2. <i>Listing of the Debentures in accordance with the terms hereof.</i></p> <p>3. <i>The letter of allotment, indicating allotment of the Debentures, will be credited in de-materialised form as per SEBI Regulations.</i></p> <p>4. <i>Execution of the Debenture Trust Deed."</i></p> <p>This will be set out in greater detail in the DTD.</p>
<p>Event of Default (including manner of voting /conditions of joining Inter Creditor Agreement)</p>	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p>"1. <i>Failure of the Bank to make payment on the respective Due Date;</i></p> <p>2. <i>The Bank voluntarily or involuntarily becomes the subject of proceedings under any bankruptcy or insolvency law; An order is made by the relevant Governmental Authority, or a special resolution has been passed by the shareholders of the Bank for the winding-up of the Bank.</i></p> <p>3. <i>It is or becomes unlawful for the Bank to perform any of its material obligations under the Transaction Documents. Invalidation of any or part of Transaction Documents as a result of change in applicable law (in force) or due to any order by a court of competent jurisdiction or direction of government authority.</i></p> <p>4. <i>The Bank loses its operating license issued by the RBI or ceases to carry out its business.</i></p> <p>5. <i>The Bank has admitted in writing that the Bank is unable to pay its debts as they fall due.</i></p> <p>6. <i>The Bank breaches or repudiates any material representation or warranty provided by the Bank in the Transaction Documents.</i></p> <p>7. <i>Breach of Financial covenants mentioned herein.</i></p> <p>8. <i>Change in Minimum Credit rating.</i></p> <p>9. <i>An order is made by the relevant Governmental Authority or a special</i></p>

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	<p><i>resolution has been passed by the shareholders of the Bank for the winding-up of the Bank.</i></p> <p>10. <i>Any corporate action, legal proceedings or other procedure or step is taken in relation to:</i></p> <p>a) <i>the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of the issuer:</i></p> <p>b) <i>composition, compromise, assignment or arrangement with any creditor of the Issuer.</i></p> <p>c) <i>Change in control of the Bank without the prior intimation to the Debenture Trustee;</i></p> <p>d) <i>the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Issuer;"</i>.</p> <p>This will be set out in greater detail in the DTD.</p>
Creation of recovery expense fund	The Issuer hereby undertakes and confirms that it shall, within the time period prescribed under Chapter IV (<i>Recovery Expenses Fund</i>) of the SEBI Debenture Trustees Operational Circular, establish and maintain the Recovery Expense Fund in such manner/mode as is prescribed under Chapter IV (<i>Recovery Expenses Fund</i>) of the SEBI Debenture Trustees Operational Circular.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	Please refer sections named " <i>Default Interest Rate</i> " and " <i>Event of Default (including manner of voting /conditions of joining Inter Creditor Agreement)</i> " above.
Provisions related to Cross Default	Not Applicable
Roles and Responsibilities of the Debenture Trustee	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"To oversee and monitor the overall transaction for and on behalf of the Debenture Holder(s) and more particularly set out in the Debenture Trust Deed."</i></p> <p>This will be set out in greater detail in the DTD.</p>
Risk factors pertaining to the issue	Please refer Section 4 (<i>Risk Factors</i>).
Governing Law & Jurisdiction	The Transaction Documents shall be governed by and will be construed in accordance with the laws of India and any disputes arising there from shall be subject to the jurisdiction of appropriate courts and tribunals at Mumbai, India, and as more particularly provided for in the respective Transaction Documents.
Business Day Convention	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"If any of the Coupon Payment Dates falls on a day which is not a Business Day, the payment to be made on such Due Date shall be made on the next Business Day, except where the Maturity Date falls on a day which is not a Business Day, in which case all payments to be made on the Maturity Date (including accrued Coupon) shall be made on the immediately preceding Business Day."</i></p> <p>This will be set out in greater detail in the DTD.</p>

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<p>Early Redemption</p>	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Issuer to maintain the below mentioned criteria/s during the tenor of the NCDs:</i></p> <p><i>Credit Rating of the Issuer from any credit rating agency to remain at minimum of "A".</i></p> <p><i>In the event of breach of above-mentioned criteria, the trustee shall act in the following manner:</i></p> <ol style="list-style-type: none"> 1. <i>The Bank shall inform the Trustee within 30 business days from the date of change in rating as mentioned here.</i> 2. <i>The Trustee shall then call for a Debenture Holder meeting within 7 (seven) days from the date of intimation from the Bank, seek approval from Majority Debenture holders (or as per the prescribed timeline in the Applicable Laws) for intimation to RBI within 7 (seven) business days from the date of such approval to initiate redemption as mentioned herein.</i> 3. <i>The Trustee shall take an approval from RBI for early redemption within 7 (seven) business days from the date of intimation as mentioned above. The Trustee may request the Bank to seek such approval by issuing a written request for the same. The Bank shall take such approval within 7 (seven) days from the date of receipt of such request from the Trustee.</i> <p><i>Subject to prior RBI approval and other applicable regulations, the Debenture Holders may require the Bank to redeem the Debentures ("Optional Accelerated Redemption") within 30 days from the date of intimation to the Trustee. It is clarified that the Optional Accelerated Redemption would only be applicable after 5 years from the Deemed Date of Allotment, in line with applicable RBI circular/guidelines".</i></p> <p>This will be set out in greater detail in the DTD.</p>
<p>Seniority</p>	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Claims of the Investors in the Instruments shall be:</i></p> <ol style="list-style-type: none"> (i) <i>Senior to the claims of investors in instruments eligible for inclusion in Tier 1 Capital;</i> (ii) <i>Subordinate to the claims of all depositors, general creditors of the Bank, but shall rank pari passu with the other Tier II capital instruments of the Bank (whether present or future); and</i> (iii) <i>rank pari passu inter se the Debenture Holders, without preference amongst themselves."</i> <p>This will be set out in greater detail in the DTD.</p>
<p>Representations and Warranties</p>	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p>

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	<p>"As is set out in <i>Debenture Trust Deed</i>."</p> <p>This will be set out in greater detail in the DTD.</p>
Financial Covenants	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p>" <i>The Bank shall maintain until the Final Settlement e:</i></p> <p style="padding-left: 40px;">a) <i>Capital Adequacy Ratio stipulated level as prescribed by the RBI from time to time.</i>"</p> <p>This will be set out in greater detail in the DTD.</p>
Consequences of Event of Default	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"Since the Debentures are classified as subordinated debt under the New Capital Adequacy Framework, on the occurrence of an Event of Default, unless such Event of Default at the request of the Bank is expressly waived by the Debenture Trustee acting on the instructions of the Majority Debenture Holder(s), (a) upon the expiry of the cure period provided, if any; or (b) if the cure period provided is mutually extended by the Parties hereto, upon the expiry of such extended period; or (c) where no cure period has been provided, then forthwith; or (d) where no cure period has been provided and the parties mutually agree to provide for a cure period, upon the expiry of such mutually agreed upon cure period, the following rights shall be available to the Debenture Trustee (acting on the instructions of the Majority Debenture Holde</i></p> <p><i>(a) subject to procuring the prior written consent of the Reserve Bank of India accelerate the redemption of the Debentur</i></p> <p><i>(b) exercise any other right that the Debenture Trustee and/ or Debenture Holder(s) may have under the Transaction Documents or under Applicable Law."</i></p> <p>This will be set out in greater detail in the DTD.</p>
Additional Disclosures (Default in Payment)	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"In relation to the principal amount and coupon payable in respect of the Debentures, in case the same is not paid on the respective Due Dates, the defaulted amounts shall carry further interest at the rate of 2% (Two Percent) per annum over and above the Coupon Rate, from the date of occurrence of such default up to the date on which the defaulted amounts together with default interest is paid."</i></p> <p>This will be set out in greater detail in the DTD.</p>
Additional Disclosures (Delay in Listing)	<p>The term sheet executed by the Issuer in respect of this Issue prescribes as follows:</p> <p><i>"The issue will be listed within 3 days from the Deemed Date of Allotment. In case of delay in listing, Bank will pay penal interest of 2% p.a. over the coupon rate from the expiry of 3 days from the Deemed Date of Allotment till the listing of such securities to the Investor."</i></p>

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	This will be set out in greater detail in the DTD.
Declaration required by BSE Limited	<p>(a) This Issue of Debentures does not form part of non-equity regulatory capital mentioned under Chapter V of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and Chapter XIII (<i>Issuance, listing and trading non-equity regulatory capital</i>) of the circular issued by SEBI bearing the reference number SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 on "<i>Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper</i>" read together with SEBI circular no. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/027 dated February 8, 2023 on "<i>Clarification w.r.t. issuance and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments under chapter v of the Sebi (Issue and Listing of Non-Convertible Securities) Regulations, 2021</i>".</p> <p>(b) The face value of each debt security/Debenture issued on private placement basis under this Issue is INR 1,00,000 (Indian Rupees One Lakh).</p>

Note:

a. If there is any change in Coupon Rate rate pursuant to any event including lapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.

b. The list of documents which has been executed in connection with the issue and subscription of debt securities shall be annexed.

c. The issuer shall provide granular disclosures in their placement memorandum, with regards to the "Object of the Issue" including the percentage of the issue proceeds earmarked for each of the "object of the issue".

8.2 LISTING AND MONITORING REQUIREMENTS

(a) Monitoring and Due Diligence

The Issuer will provide all such assistance to the Debenture Trustee as may be required by it, to carry out the necessary continuous and periodic due diligence in the manner as may be specified by SEBI from time to time. In this regard, in accordance with Chapter VI (*Periodical/ Continuous Monitoring by Debenture Trustee*) of the SEBI Debenture Trustees Operational Circular, the Issuer undertakes and agrees to provide all relevant documents/information, as applicable, to enable the Debenture Trustee to submit the reports/certifications to BSE in accordance with Chapter VI (*Periodical/ Continuous Monitoring by Debenture Trustee*) of the SEBI Debenture Trustees Operational Circular.

The Issuer further undertakes to comply with all requirements applicable to it under the SEBI Debenture Trustees Operational Circular, and provide all documents/information as may be required by the Debenture Trustee in accordance with the SEBI Debenture Trustees Operational Circular or any other Applicable Law.

The Issuer shall promptly disclose and furnish to the Debenture Trustee, all documents/information about or in relation to the Issuer or the Debentures, as requested by the Debenture Trustee to fulfil its obligations hereunder or to comply with any Applicable Law, including in relation to filing of its reports/ certification to stock exchange within the prescribed timelines.

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(b) ***Recovery Expense Fund***

- (i) The Issuer hereby undertakes and confirms that it shall, within the time period prescribed under Chapter IV (*Recovery Expenses Fund*) of the SEBI Debenture Trustees Operational Circular, establish, maintain and utilize the Recovery Expense Fund in such manner/mode as is prescribed under Chapter IV (*Recovery Expenses Fund*) of the SEBI Debenture Trustees Operational Circular, to enable the Debenture Trustee to take prompt action in relation to any enforcement measures under the Transaction Documents.
- (ii) The amounts in the Recovery Expense Fund shall be refunded to the Issuer on repayment/redemption of the Debentures, following which a "no objection certificate" shall be issued by the Debenture Trustee(s) to the designated stock exchange. The Debenture Trustee shall ensure that there is no default on any other listed debt securities of the Issuer before issuing such "no objection certificate".

(c) ***Requirements under the LODR Regulations***

The Issuer agrees, declares and covenants with the Debenture Trustee that it will comply with all relevant requirements prescribed under the LODR Regulations applicable to it (including without limitation, Chapter IV of the LODR Regulations (to the extent applicable) and Chapter V of the LODR Regulations (to the extent applicable)).

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SECTION 9: OTHER INFORMATION AND APPLICATION PROCESS

The Debentures being offered as part of the Issue are subject to the provisions of the Act, the Memorandum and Articles of Association of the Issuer, the terms of this Placement Memorandum, Application Form and other terms and conditions as may be incorporated in the Transaction Documents.

9.1 Mode of Transfer/Transmission of Debentures

The Debentures shall be transferable freely; however, it is clarified that no Investor shall be entitled to transfer the Debentures to a person who is not entitled to subscribe to the Debentures. The Debenture(s) shall be transferred and/or transmitted in accordance with the applicable provisions of the Act and other applicable laws. The Debentures held in dematerialized form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DPs of the transferor or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, amounts due will be paid/redemption will be made to the person, whose name appears in the Register of Debenture Holders maintained by the R&T Agent as on the Record Date, under all circumstances. In cases where the transfer formalities have not been completed by the transferor, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Debentures held in dematerialised form. The seller should give delivery instructions containing details of the buyer's DP account to his DP.

9.2 Debentures held in Dematerialised Form

The Debentures shall be held in dematerialised form and no action is required on the part of the Debenture Holder(s) for redemption purposes and the redemption proceeds will be paid by cheque/EFT/RTGS to those Debenture Holder(s) whose names appear on the list of beneficiaries maintained by the R&T Agent. The names would be as per the R&T Agent's records on the Record Date fixed for the purpose of redemption. All such Debentures will be simultaneously redeemed through appropriate debit corporate action.

The list of beneficiaries as of the relevant Record Date setting out the relevant beneficiaries' name and account number, address, bank details and DP's identification number will be given by the R&T Agent to the Issuer. If permitted, the Issuer may transfer payments required to be made in any relation by EFT/RTGS to the bank account of the Debenture Holder(s) for redemption payments.

9.3 Debenture Trustee for the Debenture Holder(s)

The Issuer has appointed Catalyst Trusteeship Limited to act as trustee for the Debenture Holder(s). The Issuer and the Debenture Trustee have entered/intend to enter into the Debenture Trustee Agreement and the Debenture Trust Deed *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and the Issuer. The Debenture Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Debentures as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the Debenture Holder(s). Any payment made by the Issuer to the Debenture Trustee on behalf of the Debenture Holder(s) shall discharge the Issuer *pro tanto* to the Debenture Holder(s). The Debenture Trustee will protect the interest of the Debenture Holder(s) in regard to the repayment of principal and coupon thereon and they will take necessary action, subject to and in accordance with the Debenture Trustee Agreement and the Debenture Trust Deed, at the cost of the Issuer. No Debenture Holder shall be entitled to proceed directly against the Issuer unless the Debenture Trustee, having become so bound to proceed, fails to do so. The Debenture Trustee Agreement and the Debenture Trust Deed shall more specifically set out the rights and remedies of the Debenture Holder(s) and the manner of enforcement thereof.

9.4 Sharing of Information

The Issuer may, at its option, but subject to applicable laws, use on its own, as well as exchange, share or part with any financial or other information about the Debenture Holder(s) available with the Issuer, with its

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subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Issuer nor its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

9.5 Debenture Holder not a Shareholder

The Debenture Holder(s) shall not be entitled to any right and privileges of shareholders other than those available to them under the Act. The Debentures shall not confer upon the Debenture Holders the right to receive notice(s) or to attend and to vote at any general meeting(s) of the shareholders of the Issuer.

9.6 Modification of Debentures

Any Transaction Document may be modified or amended in accordance with the terms of the relevant Transaction Document.

9.7 Right to accept or reject Applications

The Board of Directors/Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application for subscription to the Debentures, in part or in full, without assigning any reason thereof.

9.8 Notices

Any notice, in respect of the Debentures, may be served by the Issuer upon the Debenture Trustee/Debenture Holders in accordance with the terms of the Transaction Documents.

9.9 Issue Procedure

Only Eligible Investors as given hereunder may apply for the Debentures by completing the Application Form in the prescribed format in block letters in English as per the instructions contained therein. The minimum number of Debentures that can be applied for and the multiples thereof shall be set out in the Application Form. No application can be made for a fraction of a Debenture. Application Forms should be duly completed in all respects and applications not completed in the said manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be duly completed by the applicant. This is required for the applicant's own safety and these details will be printed on the refund orders and /or redemptions warrants.

The applicant should transfer payments required to be made in any relation by EFT/RTGS, to the bank account of the Issuer as per the details mentioned in the Application Form.

9.10 Application Procedure

Potential Investors will be invited to subscribe by way of the Application Form prescribed in the Placement Memorandum during the period between the Issue Opening Date and the Issue Closing Date (both dates inclusive). The Issue will be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

9.11 Fictitious Applications

All fictitious applications will be rejected.

9.12 Basis of Allotment

Notwithstanding anything stated elsewhere, the Issuer reserves the right to accept or reject any application, in part or in full, without assigning any reason. Subject to the aforesaid, in case of over subscription, priority will be given to potential investors on a first come first serve basis. The investors will be required to remit the

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funds as well as submit the duly completed Application Form along with other necessary documents to Issuer by the Deemed Date of Allotment.

9.13 Payment Instructions

The Application Form should be submitted directly. The entire amount of INR 1,00,000 (Indian Rupees One Lakh) per Debenture is payable along with the making of an application. Applicants can remit the application amount through RTGS on Pay-in Date. The RTGS details of the Issuer are as under:

Beneficiary Name	FSFB -Treasury Internal office A/c
Bank Account No.	17200000124746
IFSC Code	FSFB0000001
Bank Name	Fincare Small Finance Bank Limited
Branch Address	5th Floor Bren Mercury, Sarjapur Road, Kaikondrahalli, Bengaluru

9.14 Eligible Investors

The following categories of investors, when specifically approached and have been identified upfront, are eligible to apply for this private placement of Debentures subject to fulfilling their respective investment norms/rules and compliance with laws applicable to them by submitting all the relevant documents along with the Application Form ("**Eligible Investors**"):

- Individuals
- Hindu Undivided Family
- Trust
- Limited Liability Partnerships
- Partnership Firm(s)
- Portfolio Managers registered with SEBI
- Association of Persons
- Companies and Bodies Corporate including Public Sector Undertakings
- Commercial Banks Regional Rural Banks
- Financial Institutions
- Insurance Companies
- Mutual Funds
- FPIs /FIIs, /sub-accounts of FIIs
- Any other investor eligible to invest in the Debentures

All potential Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this issue of Debentures.

Note: Participation by potential investors in the Issue may be subject to statutory and/or regulatory requirements applicable to them in connection with subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that they comply with all regulatory requirements applicable to them, including exchange controls and other requirements. Applicants ought to seek independent legal and regulatory advice in relation to the laws applicable to them.

9.15 Procedure for Applying for Dematerialised Facility

- (a) The applicant must have at least one beneficiary account with any of the DP's of NSDL/CDSL prior to making the application.
- (b) The applicant must necessarily fill in the details (including the beneficiary account number and DP - ID) appearing in the Application Form under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form".
- (c) Debentures allotted to an applicant will be credited to the applicant's respective beneficiary account(s) with the DP.

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- (d) For subscribing to the Debentures, names in the Application Form should be identical to those appearing in the details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details maintained with the DP.
- (e) Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrar and Transfer Agent to the Issue.
- (f) If incomplete/incorrect details are given under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form" in the Application Form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Issuer.
- (g) For allotment of Debentures, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the correctness of his/her demographic details given in the Application Form vis-a-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for the losses, if any.
- (h) The redemption amount or other benefits would be paid to those Debenture Holders whose names appear on the list of beneficial owners maintained by the R&T Agent as on the Record Date. In case of those Debentures for which the beneficial owner is not identified in the records of the R&T Agent as on the Record Date, the Issuer would keep in abeyance the payment of the redemption amount or other benefits, until such time that the beneficial owner is identified by the R&T Agent and conveyed to the Issuer, whereupon the redemption amount and benefits will be paid to the beneficiaries, as identified.

9.16 **Depository Arrangements**

The Issuer shall make necessary arrangement with CDSL and NSDL for issue and holding of Debenture in dematerialised form.

9.17 **List of Beneficiaries**

The Issuer shall request the R&T Agent to provide a list of beneficiaries as at the end of each Record Date. This shall be the list, which will be used for payment or repayment of redemption monies.

9.18 **Application under Power of Attorney**

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories of the Investor and the tax exemption certificate/document of the Investor, if any, must be lodged along with the submission of the completed Application Form. Further modifications/additions in the power of attorney or authority should be notified to the Issuer or to its agents or to such other person(s) at such other address(es) as may be specified by the Issuer from time to time through a suitable communication.

In case of an application made by companies under a power of attorney or resolution or authority, a certified true copy thereof along with memorandum and articles of association and/or bye-laws along with other constitutional documents must be attached to the Application Form at the time of making the application, failing which, the Issuer reserves the full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereto. Names and specimen signatures of all the authorized signatories must also be lodged along with the submission of the completed Application Form.

9.19 **Procedure for application by Mutual Funds and Multiple Applications**

In case of applications by mutual funds and venture capital funds, a separate application must be made in respect of each scheme of an Indian mutual fund/venture capital fund registered with the SEBI and such

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applications will not be treated as multiple application, provided that the application made by the asset management company/trustee/custodian clearly indicated their intention as to the scheme for which the application has been made.

The Application Forms duly filled shall clearly indicate the name of the concerned scheme for which application is being made and must be accompanied by certified true copies of:

- (a) SEBI registration certificate
- (b) Resolution authorizing investment and containing operating instructions
- (c) Specimen signature of authorized signatories

9.20 Documents to be provided by Investors

Investors need to submit the following documents, as applicable:

- (a) Memorandum and Articles of Association or other constitutional documents
- (b) Resolution authorising investment
- (c) Certified true copy of the Power of Attorney to custodian
- (d) Specimen signatures of the authorised signatories
- (e) SEBI registration certificate (for Mutual Funds)
- (f) Copy of PAN card
- (g) Application Form (including EFT/RTGS details)

9.21 Applications to be accompanied with Bank Account Details

Every application shall be required to be accompanied by the bank account details of the applicant and the magnetic ink character reader code of the bank for the purpose of availing direct credit of redemption amount and all other amounts payable to the Debenture Holder(s) through cheque/EFT/RTGS.

9.22 Succession

In the event of winding up of a Debenture Holder (being a company), the Issuer will recognise the legal representative as having title to the Debenture(s). The Issuer shall not be bound to recognize such legal representative as having title to the Debenture(s), unless they obtain legal representation, from a court in India having jurisdiction over the matter.

The Issuer may, in its absolute discretion, where it thinks fit, dispense with production of such legal representation, in order to recognise any person as being entitled to the Debenture(s) standing in the name of the concerned Debenture Holder on the production of sufficient documentary proof and an indemnity.

9.23 Mode of Payment

All payments must be made through cheque(s) demand draft(s), EFT/RTGS as set out in the Application Form.

9.24 Effect of Holidays

Please refer Section 8.1 (*Summary Terms*).

9.25 Tax Deduction at Source

- (a) All payments to be made by the Issuer to the Debenture Holders under the Transaction Documents shall be made free and clear of and without any Tax Deduction unless the Issuer is required to make a Tax Deduction pursuant to Applicable Law.
- (b) The Issuer shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Debenture Trustee accordingly.

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- (c) If the Issuer is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by Applicable Law.
- (d) Within the time period prescribed in the Transaction Documents, the Issuer shall deliver to the Debenture Trustee evidence reasonably satisfactory to the Debenture Trustee that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

9.26 Allotment

The Issuer shall ensure that the Debentures are allotted to the respective Debenture Holders and are credited into the demat accounts of the relevant Debenture Holders within the timelines prescribed under the SEBI Listing Timelines Requirements.

9.27 Deemed Date of Allotment

All the benefits under the Debentures will accrue to the Investor from the specified Deemed Date of Allotment. The Deemed Date of Allotment for the Issue is June 15, 2023 by which date the Investors would be intimated of allotment.

9.28 Record Date

The Record Date will be 15 (fifteen) calendar days prior to any Due Date.

9.29 Refunds

For applicants whose applications have been rejected or allotted in part, refund orders will be dispatched within 7 (seven) days from the Deemed Date of Allotment of the Debentures.

In case the Issuer has received money from applicants for Debentures in excess of the aggregate of the application money relating to the Debentures in respect of which allotments have been made, the R&T Agent shall upon receiving instructions in relation to the same from the Issuer repay the moneys to the extent of such excess, if any.

9.30 Interest on Application Money

Please refer Section 8.1 (*Summary Terms*).

9.31 PAN Number

Every applicant should mention its Permanent Account Number ("**PAN**") allotted under Income Tax Act, 1961, on the Application Form and attach a self-attested copy as evidence. Application forms without PAN will be considered incomplete and are liable to be rejected.

9.32 Payment on Redemption

Payment on redemption will be made by way of cheque(s)/redemption warrant(s)/demand draft(s)/credit through RTGS system/funds transfer in the name of the Debenture Holder(s) whose names appear on the list of beneficial owners given by the Depository to the Issuer as on the Record Date.

The Debentures shall be taken as discharged on payment of the redemption amount by the Issuer on maturity to the registered Debenture Holder(s) whose name appears in the Register of Debenture Holder(s) on the Record Date. On such payment being made, the Issuer will inform NSDL/CDSL and accordingly the account of the Debenture Holder(s) with NSDL/CDSL will be adjusted.

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On the Issuer dispatching the amount as specified above in respect of the Debentures, the liability of the Issuer shall stand extinguished.

Disclaimer: Please note that only those persons to whom this Placement Memorandum has been specifically addressed are eligible to apply. However, an application, even if complete in all respects, is liable to be rejected without assigning any reason for the same. The list of documents provided above is only indicative, and an investor is required to provide all those documents / authorizations / information, which are likely to be required by the Issuer. The Issuer may, but is not bound to, revert to any investor for any additional documents / information, and can accept or reject an application as it deems fit. Provisions in respect of investment by investors falling in the categories mentioned above are merely indicative and the Issuer does not warrant that they are permitted to invest as per extant laws, regulations, etc. Each of the above categories of investors is required to check and comply with extant rules/regulations/ guidelines, etc. governing or regulating their investments as applicable to them and the Issuer is not, in any way, directly or indirectly, responsible for any statutory or regulatory breaches by any investor, neither is the Issuer required to check or confirm the same.

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SECTION 10: DECLARATION

- A. The Issuer has complied with the provisions of the Companies Act, 2013 and the rules made hereunder.
- B. The compliance with the Companies Act, 2013 and the rules made thereunder do not imply that payment of dividend or interest or repayment of the Debentures, if applicable, is guaranteed by the Central Government.
- C. The monies received under the offer shall be used only for the purposes and objects indicated in this Placement Memorandum.

I am authorized by the Board of Directors of the Issuer *vide* resolution numbers 01 and 08 dated February 20, 2023, June 12, 2023 and June 15, 2023, respectively, to sign this Placement Memorandum and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with.

Whatever is stated in this Placement Memorandum and in the attachments thereto is true, correct and complete and no information material to the subject matter of this Placement Memorandum has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this Placement Memorandum.

The Issuer declares that all the relevant provisions in the regulations/guideline issued by SEBI and other applicable laws have been complied with and no statement made in this Placement Memorandum is contrary to the provisions of the regulations/guidelines issued by SEBI and other applicable laws, as the case may be. The information contained in this Placement Memorandum is as applicable to privately placed debt securities and subject to the information available with the Issuer. The extent of disclosures made in this Placement Memorandum is consistent with disclosures permitted by regulatory authorities to the issue of securities made by the companies in the past.

For **Fincare Small Finance Bank Limited**



Authorised Signatory

Name: Shefaly Kothari
Title: Company Secretary
Place: Bengaluru
Date: June 15, 2023

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ANNEXURE I: TERM SHEET

As provided in Section 8.1 (*Summary Terms*) above.

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ANNEXURE II: RATING LETTER, RATING RATIONALE AND PRESS RELEASE FROM THE RATING AGENCY



ICRA Limited

Ref: ICRA/Fincare Small Finance Bank Limited/09062023/2

June 09, 2023

Mr. Keyur Doshi
Chief Financial Officer
Fincare Small Finance Bank Limited
5th Floor, Bren Mercury, Kalkondanahalli,
Sarjapur Main Road,
Bengaluru – 560102, India

Dear Sir,

Re: ICRA Credit Rating for the Rs. 180-crore Lower Tier II Bond Programme of Fincare Small Finance Bank Limited

Please refer to the Rating Agreement/Statement of Works dated June 6, 2023 and June 8, 2023 executed between ICRA Limited ("ICRA") and your company for carrying out the rating of the aforesaid Lower Tier II Bonds Programme. The Rating Committee of ICRA, after due consideration, has assigned a [ICRA]A [pronounced as ICRA A] rating to the captioned Lower Tier II Bond Programme. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The outlook on the long-term rating is Positive.

In any of your publicity material or other document wherever you are using the above assigned rating, it should be stated as [ICRA]A (Positive). We would request if you can provide your acceptance on the above Rating[s] by sending an email or signed attached acknowledgement to us latest by June 12, 2023 as acceptance on the assigned rating. In case you do not communicate your acceptance/non acceptance of the assigned credit rating, or do not appeal against the assigned rating by the aforesaid date, the rating will be treated by us as not accepted and shall be disclosed on ICRA's website accordingly. This is in accordance with requirements prescribed by the Securities and Exchange Board of India (SEBI) vide SEBI circular dated January 6, 2023.

Any intimation by you about the above rating to any banker/lending agency/government authorities/stock exchange would constitute use of this rating by you and shall be deemed acceptance of the rating.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned. ICRA reserves the right to review and/or revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the bonds, debentures and/ or other instruments of like nature to be issued by you.

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Gurgaon – 122002, Haryana

Tel: +91 124 4545000
CIN - L74899DL1991PLC062749

Website: www.icra.in
Email: info@icraonline.com
Helpline: +91 9354738800

Registered Office: B-710, Stateman House, 148, Barakhamba Road, New Delhi 110001, Tel: +91 11 23057940-41

RATING • RESEARCH • INFORMATION

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You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s), or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system. Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

We look forward to your communication and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

ANIL
GUPTA

Digitally signed
by ANIL GUPTA
Date:
2023.06.09
19:42:28 +05'30'

Anil Gupta
Senior Vice President
Co-Group Head –Financial Sector Ratings
anilg@icraindia.com

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ANNEXURE III: CONSENT LETTER FROM THE DEBENTURE TRUSTEE

CATALYST
Believe in yourself... Trust us!



CL/DEB/23-24/327

Date : 12-Jun-2023

To,
TAHA HARARWALA ,
Fincare Small Finance Bank Limited,
5th Floor, Bren Mercury ,
Varthur Hobli, Kaikondanahalli,,
Bengaluru,
Karnataka,
India 560035.

Dear Sir/ Madam,

Re: Consent to act as a Debenture Trustee for Private Placement of Fully Paid, Rated, Listed, Redeemable, Transferable, UnSecured, Non-Convertible Debentures of ₹ 49.00 Crores

We refer to your letter dated 12.06.2023 , requesting us to convey our consent to act as the Debenture Trustee for captioned issue of Debentures.

We hereby convey our acceptance to act as Debenture Trustees for the said issue Debentures, subject to execution of Debenture Trustee Agreement as per Regulation 13 of SEBI (Debenture Trustee) Regulations, 1993, thereby agreeing to execute Debenture Trust Deed and to create the security if applicable within the timeline as per relevant Laws / Regulations and in the Offer Document / Information Memorandum / Disclosure Document / Placement Memorandum and company agreeing / undertaking to comply with the provisions of SEBI (Debenture Trustee) Regulations, 1993, SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021, SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015, Companies Act, 2013 and Rules thereunder and other applicable laws as amended from time to time.

Fee Structure for the proposed transaction will be as per annexure A.

Assuring you of the best professional services.

Thanking you.

Yours faithfully,



Name : **Tamkeen Shaikh**

Designation : **Manager**

CATALYST TRUSTEESHIP LIMITED (CORPORATE IDENTIFICATION NUMBER)

An IFCI/SEBI Company

Head Office: Windsor, 7th Floor, Office No. 10A, C.T. Road, Kollara, Sandurra (Dist), Mandya-580 990. Tel: +91 (822) 4032 0885. Fax: +91 (822) 4032 4908
Regd. Office: CGA House, Plot No. 05, Ekamra Colony, Sigga Road, Pune-411 002. Tel: +91 (20) 25300811. Fax: +91 (20) 25300375
Delhi Office: Office No. 313, 8th Floor, Kalash Building, 26, Kasturba Gandhi Marg, New Delhi - 110001. Tel: +91 11 432 28101/02.
CIN No. U74899DL2007PLC135282. Email: info@catalysttrustees.com. Website: www.catalysttrustees.com.
Pune | Mumbai | Bengaluru | Delhi | Chennai



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ANNEXURE IV: APPLICATION FORM

FINCARE SMALL FINANCE BANK LIMITED

A public limited company incorporated under the Companies Act, 1956

Date of Incorporation: 05/04/1995

Registered Office: 301-306, 3rd Floor, Abhijeet-V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali,
Ahmedabad-380006, Gujarat

Telephone No.: +91 7940011000

Website: www.fincarebank.com

DEBENTURE SERIES APPLICATION FORM SERIAL NO.										
---	--	--	--	--	--	--	--	--	--	--

ISSUE OF 4,900 (FOUR THOUSAND AND NINE HUNDRED) RATED, SUBORDINATED, UNSECURED, LISTED, TRANSFERABLE, REDEEMABLE, NON-CONVERTIBLE DEBENTURES DENOMINATED IN INDIAN RUPEES ("INR"), HAVING A FACE VALUE OF INR 1,00,000 (INDIAN RUPEES ONE LAKH) EACH AND AN AGGREGATE FACE VALUE OF INR 49,00,00,000 (INDIAN RUPEES FORTY NINE CRORE) ("DEBENTURES") ON A PRIVATE PLACEMENT BASIS (THE "ISSUE").

DEBENTURE SERIES APPLIED FOR:
Number of Debentures: _____ In words: _____ only
Amount INR _____ /- In words _____
Rupees: _____ only

DETAILS OF PAYMENT:
Cheque / Demand Draft / RTGS
No. _____ Drawn on _____
Funds transferred to the account specified in "Instructions" below on _____
Total Amount Enclosed
(In Figures) INR _____ /- (In words) _____ Only

APPLICANT'S NAME IN FULL (CAPITALS)	SPECIMEN SIGNATURE

APPLICANT'S ADDRESS				
ADDRESS				
STREET				
CITY				
PIN		PHONE		FAX

APPLICANT'S PAN/GIR NO. _____ IT CIRCLE/WARD/DISTRICT _____

WE ARE () COMPANY () OTHERS (Please specify) _____
We have read and understood the terms and conditions of the issue of Debentures including the risk factors described in the enclosed Placement Memorandum ("IM") and the private placement offer cum application letter of the same date ("PPOA") issued by the Issuer (collectively, the "Debt Disclosure Documents") and have considered these in making our decision to apply. We bind ourselves to the terms and conditions of the

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Debt Disclosure Documents and wish to apply for allotment of the Debentures. We request you to please place our name(s) on the register of holders.

Name of the Authorised Signatory(ies)	Designation	Signature

Applicant's Signature

We the undersigned, are agreeable to holding the Debentures of the Issuer in dematerialised form. Details of my/our Beneficial Owner Account are given below:

DEPOSITORY	NSDL () CDSL ()
DEPOSITORY PARTICIPANT NAME	
DP-ID	
BENEFICIARY ACCOUNT NUMBER	
NAME OF THE APPLICANT(S)	

Applicant Bank Account: (Settlement by way of Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT/RTGS/other permitted mechanisms)	
---	--

FOR OFFICE USE ONLY	
DATE OF RECEIPT _____	DATE OF CLEARANCE _____

(Note: Cheque and Drafts are subject to realisation)

We understand and confirm that the information provided in the Debt Disclosure Documents is provided by the Issuer. We confirm that we have for the purpose of investing in these Debentures carried out our own due diligence and made our own decisions with respect to investment in these Debentures and have not relied on any representations made by anyone other than the Issuer, if any.

We understand that: (i) in case of allotment of Debentures to us, our Beneficiary Account as mentioned above would get credited to the extent of allotted Debentures, (ii) we must ensure that the sequence of names as mentioned in the Application Form matches the sequence of name held with our Depository Participant, (iii) if the names of the Applicant in this application are not identical and also not in the same order as the Beneficiary Account details with the above mentioned Depository Participant or if the Debentures cannot be credited to our Beneficiary Account for any reason whatsoever, the Issuer shall be entitled at its sole discretion to reject the application or issue the Debentures in physical form.

By making this application, we acknowledge that we have understood the terms and conditions of the Issue of 4,900 (four thousand and nine hundred) rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures, having a face value of INR 1,00,000 (Indian Rupees One Lakh) each and an aggregate face value of INR 49,00,00,000 (Indian

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Rupees Forty Nine Crore) in the form of subordinated debt eligible to be classified as Tier II Capital in accordance with the RBI's circular on "*Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF)*" dated July 1, 2015 of Fincare Small Finance Bank Limited as disclosed in the Debt Disclosure Documents.

Applicant's Signature

FOR OFFICE USE ONLY	
DATE OF RECEIPT _____	DATE OF CLEARANCE _____

(Note : Cheque and Drafts are subject to realisation)

------(TEAR HERE)-----

ACKNOWLEDGMENT SLIP

<i>(To be filled in by Applicant)</i> SERIAL NO.									
--	--	--	--	--	--	--	--	--	--

Received from _____

Address _____	

Cheque/Draft/UTR # _____	Drawn on _____ for
INR _____	on account of application of _____ Debenture

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

INSTRUCTIONS

1. Application form must be completed in full, IN ENGLISH.
2. Signatures must be made in English or in any of the Indian languages. Thumb Impressions must be attested by an authorized official of the Bank or by a Magistrate/Notary Public under his/her official seal.
3. Application form, duly completed in all respects, must be submitted with the respective Collecting Bankers. Cheque(s)/Demand Draft(s) should be drawn in favour of " **FSFB -Treasury Internal office A/c** " and crossed "A/C Payee Only" Cheque(s)/Demand Draft(s) may be drawn on any scheduled bank and payable at Bengaluru, India. The payment can also be made through RTGS as per the following details:

Beneficiary name	FSFB -Treasury Internal office A/c
Beneficiary account no.	17200000124746
Branch address	5th Floor Bren Mercury, Sarjapur Road, Kaikondrahalli, Bengaluru
Beneficiary bank	Fincare Small Finance Bank Limited
Account type	Current Account
IFSC code	FSFB0000001

The Issuer undertakes that the application money deposited in the above-mentioned bank account shall not be utilized for any purpose other than:

- (a) for adjustment against allotment of securities; or
 - (b) for the repayment of monies where the Issuer is unable to allot securities.
4. Outstation Cheques, Cash, Money Orders, Postal Orders and Stock Invest shall not be accepted.
 5. Receipt of applicants will be acknowledged by the Issuer in the "Acknowledgement Slip" appearing below the application form. No separate receipt will be issued.
 6. All applicants should mention their Permanent Account No. or their GIR No. allotted under Income Tax Act, 1961 and the Income Tax Circle/Ward/District. In case where neither the PAN nor the GIR No. has been allotted, the fact of non-allotment should be mentioned in the application form in the space provided. Income Tax as applicable will be deducted at source at the time of payment of interest including interest payable on application money.
 7. The application would be accepted as per the terms of the Debentures outlined in the transaction documents for the private placement.

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ANNEXURE V: FINANCIAL STATEMENTS OF ALONG WITH AUDIT REPORTS, SCHEDULES, FOOTNOTES, SUMMARY ETC.

Balance Sheet	(Amt in Lacs)		
	As on	As on	As on
	31 March 2023	31 March 2022	31 March 2021
Capital & Liabilities			
Capital	22,078	22,078	6,361
Employees stock options outstanding	1,458	638	100
Reserves and surplus	107,835	97,471	95,329
Deposits	803,319	645,616	531,850
Borrowings	278,400	294,354	140,043
Other liabilities and provisions	33,679	29,999	23,024
TOTAL	1,246,769	1,090,156	796,707
Assets			
Cash and balances with Reserve Bank of India	65,438	111,679	103,650
Balances with banks and money at call and short notice	11,781	11,917	11,913
Investments	252,284	215,163	127,936
Advances	870,242	703,696	530,112
Fixed assets	5,630	4,234	3,619
Other assets	41,394	43,467	19,477
TOTAL	1,246,769	1,090,156	796,707

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Profit & Loss

(Amt in Lacs)

Particulars	Year ended	Year ended	Year ended
	31 March 2023	31 March 2022	31 March 2021
I. Income			
Interest earned	174,411.88	144,857.39	125,105.88
Other income	22,667.70	19,616.33	12,565.08
TOTAL	197,079.59	164,473.72	137,670.96
II. Expenditure			
Interest expended	65,367.53	56,978.24	55,004.80
Operating expenses	87,405.17	64,679.63	46,328.09
Provision and contingencies	33,942.80	41,928.83	25,024.23
TOTAL	186,715.50	163,586.69	126,357.12
III. Profit / (loss)			
Net profit / (loss) for the year	10,364.09	887.02	11,313.84
Profit / (loss) brought forward	17,520.54	18,109.62	9,707.40

Particulars	Year ended	Year ended	Year ended
	31 March 2023	31 March 2022	31 March 2021
Cash flows from/(used in) operating activities:			
Profit before tax	1,299.68	57.46	1,464.19
Adjustments for :			
Depreciation and amortisation expenses	214.03	201.19	170.08
Amortisation of premium on investments	108.07	103.19	68.49
(Profit) / loss on disposal of fixed assets	(0.22)	0.29	(0.08)
Employee stock option cost	81.91	53.80	9.97
Loan portfolio written off (net of recovery)	5,515.85	3,695.10	339.31
Provision for loan portfolio	(1,626.83)	600.24	1,857.22
Provision for other contingencies	36.42	2.19	(26.67)
Provision / depreciation - Investments	45.14	56.11	(0.51)
Long term retention bonus expense	-		-
(Profit) on sale of investment in SLR2 securities	(2.86)	(53.95)	(12.21)
Loss on sale of investment in SLR2 securities	64.16	28.41	9.94
(Profit) on sale of investment in mutual funds	-	(1.92)	(2.93)
Operating profits before working capital changes	5,735.35	4,742.11	3,876.80
Movement in working capital:			
Increase in deposits	15,770.22	11,370.80	6,645.67
Increase / (decrease) in other liabilities	492.60	1,318.58	408.98
(Increase) in investments (net)	(2,044.24)	(6,304.88)	116.50
(Increase) in advances	(20,690.93)	(22,229.82)	(6,996.81)

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Decrease / (increase) in fixed deposits	245.64	(375.16)	(51.57)
(Increase) in other assets	542.15	(2,013.79)	(2.05)
Cash generated (used in) / from operating activities	50.79	(13,492.16)	3,997.51
Taxes on income paid, net	(611.52)	(395.36)	(612.89)
Net cash (used in) / generated from operating activities	(560.73)	(13,887.52)	3,384.62
Cash flows from investing activities:			
Purchase of fixed assets	(354.67)	(263.59)	(129.15)
Proceeds from sale of fixed assets	1.20	0.66	0.88
Purchase of investments in Govt Securites (HTM)	(2,452.43)	(3,467.34)	(2,906.21)
Proceeds from maturity of investments in Govt Securites (HTM)	570.00	915.84	
Purchase of investments in mutual funds	-	(499.98)	(1,799.98)
Proceeds from sale of investments in mutual funds	-	501.90	1,802.86
Proceeds from term money lending	-	-	-
Net cash generated / (used in) from investing activities	(2,235.90)	(2,812.51)	(3,031.60)
Cash flows from financing activities:			
Proceeds from issue of equity shares	-	1,697.07	-
Share / debenture issue expenses	-	-	-
Repayment of borrowing under the LAF3 segment	(560.00)	-	(470.00)
Proceeds from borrowing under the LAF3 segment	-	5,400.00	-
Proceeds from loans availed from banks and financial institutions	10,000.00	13,580.42	4,700.00
Repayment of loans availed from banks and financial institutions	(10,785.44)	(3,549.34)	(3,907.33)
Proceeds from issue of non-convertible debentures	-	-	-
Redemption of non-convertible debentures	(250.00)	-	-
Net cash generated / (used in) from financing activities	(1,595.44)	17,128.15	322.67
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	(4,392.07)	428.12	675.70
Cash and cash equivalents at the beginning of the year	11,856.44	11,428.32	10,752.62
Cash and cash equivalents at the end of the year	7,464.37	11,856.44	11,428.32

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel : +91 22 6819 8000

INDEPENDENT AUDITOR'S REPORT

To the Members of Fincare Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fincare Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31 2023, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") and circulars and guidelines issued by Reserve Bank of India (RBI) in the manner so required by banking companies and give a true and fair view in conformity with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, its profit after tax and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

Key audit matters	How our audit addressed the key audit matter
Identification of Non-performing advances and provisioning of advances:(refer note 2.4 of Schedule 17 and note 18.4 and 18.15 to the financial statements)	
<p>Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. As at 31 March 2023, the Gross Advances of the Bank was Rs. 8,877.37 crores, Gross NPA of the Bank was Rs 288.47 crores and Gross NPA ratio of the Bank was 3.25%.</p> <p>The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification and provisioning pertaining to advances dated April 01, 2023("IRAC") prescribes the prudential norms for identification and classification of NPAs and the minimum provision required for such assets including restructuring.</p> <p>Given the volume and variety of loans, judgement is involved in the application of RBI Regulations for classification of loans as NPA. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter</p>	<p>Our audit procedures included, among others the following:</p> <ul style="list-style-type: none"> • Considered the Bank's policies for NPA identification and provisioning in assessing compliance with the IRAC • Obtained an understanding and performed walk through of key processes controls around identification of NPAs, classification and provisioning • Evaluated the design and operating effectiveness of key controls (including application controls) around identification of NPAs, classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to RBI Regulations • Performed account statement reviews on sample basis for account slippages and upgrades and identified customer accounts availing more than one loan from the Bank and test checked that all loans availed by a delinquent customer are classified appropriately • Performed analytical procedures on various financial and non-financial parameters to test the completeness of accounts identified as NPA • Performed test of details to test on provisioning rates applied for respective asset classes in lines with the Bank's policies • Tested the arithmetical accuracy of computation of provision for advances • Assessed disclosures included in the financial statements in respect of asset classifications and provisioning, including specific disclosures made with regard to RBI Regulations • Tested on a sample basis that the restructuring of loans done during the year as per IRAC norms was approved and implemented and provisions made on such restructured loans in accordance with the Bank's Board approved policy and the IRAC norms
Information Technology ("IT") Systems and Controls	
<p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • For testing the IT general controls, application controls and IT dependent manual controls

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Chartered Accountants

<p>volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes made to applications are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment across applications, networks, databases and operating systems as these are key to ensuring IT dependent and application based controls are operating effectively.</p> <p>Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.</p>	<p>relevant for financial reporting, we included IT specialists as part of the audit team. The IT specialists also assisted in testing of the information produced by the Bank's IT systems</p> <ul style="list-style-type: none">• Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting• Tested other IT general controls (changes management and aspects of IT operational controls)• Inspected requests of changes to systems for appropriate approval and authorization. Further, considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit• Tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting• Instances where deficiencies were identified, tested compensating controls or performed alternate procedures
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Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report including the Pillar III Disclosure under the New Capital Adequacy Framework (Basel II disclosures) but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the applicable accounting standards prescribed under section 133 of the Act read with Companies (Accounts)

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Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by RBI from time to time ("RBI Guidelines") and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance sheet, the Profit and Loss Account and the Cash flow Statement for the year ended March 31, 2023, have been drawn up in accordance with the applicable accounting standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the RBI from time to time ("RBI Guidelines") and other accounting principles generally accepted in India.
2. As required by sub section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by its branches; we have visited 52 branches for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

- (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Accounting Standards) Rules (as amended), to the extent they are not inconsistent with the guidelines prescribed by RBI;
- (e) In our opinion, there are no material financial transactions or matters that have an adverse effect on the functioning of the Bank;
- (f) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) With respect to the adequacy of the internal financial controls with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- (h) In our opinion, the entity being a banking company, the remuneration to the managing director during the year ended March 31, 2023 has been paid by the Bank in accordance with the provisions of section 35B(1) of the Banking Regulation Act, 1949; and
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank does not have any pending litigations which would impact its financial position as at March 31, 2023- refer Schedule 12 to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2023;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank;
 - iv.
 - a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 18.35 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 18.35 to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

- c) Based on such audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v No dividend has been declared or paid during the year by the Bank.
- vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only w.e.f. April 1, 2023, reporting under this clause is not applicable.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per **Sarvesh Warty**
Partner
Membership Number: 121411

UDIN: 23121411BGWEFK2022
Place of Signature: Bengaluru
Date: April 24, 2023

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SR. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FINCARE SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Fincare Small Finance Bank Limited ("the Bank") as of March 31, 2023 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to these financial statements.

Meaning of Internal Financial Controls With Reference to these Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty
Partner
Membership Number: 121411

UDIN: 23121411BGWEFK2022
Place of Signature: Bengaluru
Date: April 24, 2023

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Fincare Small Finance Bank Limited

Balance Sheet as on 31 March 2023

(All amounts in ₹ lakhs except otherwise stated)

Schedule	As on	
	31 March 2023	31 March 2022
Capital and Liabilities		
Capital	22,079	22,079
Employees stock options outstanding	1,458	638
Reserves and surplus	107,856	97,471
Deposits	803,319	845,617
Borrowings	278,400	294,354
Other liabilities and provisions	33,679	29,999
Total	1,346,789	1,330,157
Assets		
Cash and balances with Reserve Bank of India	65,435	111,679
Balance with banks and money at call and short notice	11,781	11,917
Investments	252,294	215,183
Advances	870,242	763,698
Fixed assets	5,631	4,234
Other assets	41,292	43,468
Total	1,246,789	1,330,157
Contingent liabilities	12	6,161
Bills for collection	-	-
Significant accounting policies and notes to accounts	17 & 18	-

Schedules referred above form an integral part of the Balance Sheet

As per our report of even date

For S.R. Bhatnagar & Associates LLP
Chartered Accountants
Firm Registration No: 101045W/E300004

Sanvesh Warty

per Sanvesh Warty
Partner
Membership No: 121411

Bengaluru
April 24, 2023



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajeev Yadav

Rajeev Yadav
MD and CEO
DIN: 001113378

Bengaluru
April 24, 2023

S. Navat

S. Navat
Director
DIN: 00157693

Ahmedabad
April 24, 2023

Shelaly Kothari

Shelaly Kothari
Company Secretary
M.No. F7558

Bengaluru
April 24, 2023

Pranod Kabra

Pranod Kabra
Director
DIN: 02252403

Mumbai
April 24, 2023

Kayur Doshi

Kayur Doshi
Chief Financial Officer

Vadodra
April 24, 2023



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Fincare Small Finance Bank Limited
Profit and Loss Account for the year ended 31 March 2023
(All amounts in ₹ lakhs except otherwise stated)

	Schedule	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Income			
Interest earned	13	174,412	144,857
Other income	14	22,955	19,617
Total		197,367	164,474
II. Expenditure			
Interest expended	15	65,368	50,979
Operating expenses	16	87,405	64,580
Provision and contingencies (refer Schedule 18.15)		33,943	41,329
Total		186,716	156,887
III. Profit/(loss):			
Net profit/(loss) for the period		10,364	867
Profit/Loss (-) brought forward		17,521	10,110
Total		27,885	19,997
IV. Appropriation			
Transfer to statutory reserves		2,591	222
Transfer to other reserves		369	1,264
Transfer to Government/proposed dividend		-	-
Balance carried over to the balance sheet		24,925	17,521
Total		27,885	19,997
Significant accounting policies and notes to accounts	17 & 18		
Earnings per equity share of ₹ 10 each (refer Schedule 18.27)			
Basic (₹)		4.69	0.38
Diluted (₹)		4.69	0.38
Face value per share (₹)		10.00	10.00

Schedules referred above form an integral part of the Profit and Loss Account

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049/R/030004

Sarvesh Warty

per Sarvesh Warty
Partner
Membership No.: 121411

Bengaluru
April 24, 2023



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajesh Yadav
Rajesh Yadav
MD and CEO
DIN- 00111379

Bengaluru
April 24, 2023

S. Navat
Santosh Navat
Director
DIN- 00157033

Ahmedabad
April 24, 2023

S. Kotari
Srinjay Kotari
Company Secretary
M No. F7096

Bengaluru
April 24, 2023

Pranod Kabra

Pranod Kabra
Director
DIN- 00252403

Mumbai
April 24, 2023

Kayur Dasht
Kayur Dasht
Chief Financial Officer

Vadodra
April 24, 2023



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Fincare Small Finance Bank Limited

Cash Flow Statement for the year ended 31 March 2023

(All amounts in ₹ lakhs, except otherwise stated)

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
A. Cash flows from operating activities:		
Net Profit before tax	12,597	575
Adjustments for:		
Depreciation and amortisation expenses	2,140	2,512
Employee Stock Option Compensation	819	538
Amortisation of premium on SLR ¹ investments in HTM ² category	1,861	1,522
(Profit)/loss on disposal of fixed assets	(2)	3
Loan portfolio written off	55,133	36,951
Provision for Advances	(18,288)	6,002
Provision for other contingencies	354	22
Provision for Investments	451	501
(Profit) on sale of investment in SLR ¹ securities	(29)	(540)
Loss on sale of investment in SLR ¹ securities	642	284
(Profit) on sale of investment in mutual funds	-	(119)
Operating profit before working capital changes	57,354	47,421
Adjustments for:		
Increase in deposits	157,702	113,708
Increase/(decrease) in other liabilities	4,825	15,188
(Increase) in investments (net)	(20,442)	(53,049)
(Increase) in advances	(200,909)	(222,298)
(Increase)/decrease in fixed deposits	2,456	(3,752)
(Increase) in other assets	5,422	(20,138)
Cash Flows from/(used in) operating activities	599	(134,622)
Refund/(payment) of direct taxes (including Tax Deducted at Source)	8,115	(3,854)
Net cash flows from/(used in) operating activities	(5,895)	(138,476)
B. Cash flows from / (used in) investing activities:		
Purchase of fixed assets	(3,547)	(2,638)
Proceeds from sale of fixed assets	52	7
Purchase of investments in mutual funds	-	(5,002)
Purchase of investments in Govt Securities (HTM ²)	(34,234)	(34,673)
Proceeds from maturity of investments in Govt Securities (HTM ²)	5,700	9,158
Proceeds from sale of investments in mutual funds	-	5,019
Proceeds from term money lending	-	-
Net cash flows from/(used in) investing activities	(22,259)	(58,125)
C. Cash flows from / (used in) financing activities:		
Proceeds from issue of equity shares	-	15,971
Proceeds from borrowing under the LAF ³ segment	-	54,026
Proceeds from loans availed from banks and financial institutions	100,500	135,604
Repayment of loans non-convertible debentures	(2,500)	-
Repayment of loans availed from banks and financial institutions	(107,855)	(25,493)
Repayment of borrowing under the LAF ³ segment	(5,800)	-
Net cash flows from/(used in) financing activities	(15,655)	171,208
Net increase in cash and cash equivalents during the year ended (A+B+C)	(43,920)	4,281
Cash and cash equivalents at the beginning of the year	118,564	114,283
Cash and cash equivalents at the end of the year*	74,644	118,564



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* Includes cash and bank balances with Reserve Bank of India, balances with Banks in current account, money at call and short notice as of 31 March 2023 and 31 March 2022.

Note:
1 Statutory Liquidity Ratio
2 Held to Maturity
3 Liquidity Adjustment Facility

For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 181049W/E386004

Sarvesh Warty
per Sarvesh Warty

Partner
Membership No.: 121411

Bengaluru
April 24, 2023

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajesh Yadav
Rajesh Yadav
MD and CEO
DIN: 00111379

Bengaluru
April 24, 2023

Pranod Kabra
Pranod Kabra
Director
DIN: 02252408

Mumbai
April 24, 2023

Sandeep Minzvali
Sandeep Minzvali
Director
DIN: 00157683

Ahmedabad
April 24, 2023

Kayur Doshi
Kayur Doshi
Chief Financial Officer

Vadodra
April 24, 2023

Shefaly Kohari
Shefaly Kohari
Company Secretary
M No. F7898
Bengaluru
April 24, 2023



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2023

(All amounts in ₹ lakhs except otherwise stated)

Schedule 1 - Capital	As on 31 March 2023	As on 31 March 2022
Authorized capital		
300,000,000 (31 March 2022: 300,000,000) equity shares of ₹ 10 each	30,000	30,000
Issued, subscribed and fully paid-up capital		
22,779,720 (31 March 2022: 22,779,720) equity shares of ₹ 10 each	22,078	22,078
Total Capital	22,078	22,078

Notes

1. Rights and preferences of equity shareholders

Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividends. In the event of liquidation of the Bank, the holders of equity shares will be entitled to receive the remaining assets of the Bank, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Schedule 2 - Reserves and surplus	As on 31 March 2023	As on 31 March 2022
I. Statutory reserve (Created pursuant to Section 17(2) of Banking Regulation Act, 1949)		
Opening balance	9,837	9,415
Additions during the year	2,591	232
Deductions during the year	-	-
	12,228	9,637
II. Share premium		
Opening balance	68,230	66,977
Additions during the year	-	15,972
Deductions during the year	-	(14,719)
	68,230	68,230
III. General reserves		
Opening balance	1	1
Additions during the year	-	-
Deductions during the year	-	-
	1	1
IV. Investment fluctuation reserve		
Opening balance	2,082	839
Additions during the year	388	1,254
Deductions during the year	-	-
	2,470	2,082
V. Balance in profit and loss account	24,900	17,221
Total (I, II, III, IV and V)	107,835	97,671

Schedule 3 - Deposits	As on 31 March 2023	As on 31 March 2022
A. I. Demand deposits		
(i) From banks	737	626
(ii) From others	12,228	8,769
	12,965	9,395
II. Savings bank deposits	252,047	234,949
III. Term deposits		
(i) From banks	246,054	173,120
(ii) From others	296,755	238,123
	542,799	411,243
Total (I, II and III)	803,319	645,617
B. I. Deposits of branches in India	602,319	645,617
II. Deposits of branches outside India		
Total	802,319	645,617



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2023
(All amounts in ₹ lakhs except otherwise stated)

Schedule 4 - Borrowings	As on 31 March 2023	As on 31 March 2022
I. Borrowings in India		
(i) Reserve Bank of India*	54,000	58,800
(j) Other banks	-	10,000
(k) Other institutions and agencies	-	-
(i) Government of India	-	-
(ii) Financial institutions*	206,601	204,754
(l) Borrowings in the form of bonds and debentures (excluding subordinated debt)	-	-
(m) Unsecured redeemable debentures/bonds (Refer schedule 18.1 B)	17,000	20,000
Total Borrowings in India	278,401	294,354
II. Borrowings outside India	-	-
Total (I and II)	278,401	294,354

* Secured borrowings included in I above is ₹ 54,000 lakhs, ₹ 52,404 lakhs for 31 March 2023 and 31 March 2022 respectively.

Schedule 5 - Other liabilities and provisions	As on 31 March 2023	As on 31 March 2022
I. Bills payable	4,162	3,884
II. Inter-office adjustments (net)	-	-
III. Interests accrued	8,075	3,857
IV. Others (including provisions)*	22,444	23,296
Total	32,679	28,999

* Others (including provisions)	As on 31 March 2023	As on 31 March 2022
General provision for standard assets (Refer schedule 18.4 I)	3,869	5,342
Provision for other contingencies	285	50
Tax deducted at source payable	898	743
Statutory liability payable	474	633
Accrued expenses	2,344	2,917
Accrued employee expenses	3,427	2,539
Provision for gratuity (Refer schedule 18.14 A)	899	421
Provision for compensated absences (Refer schedule 18.14 C)	1,509	1,275
Other liabilities	6,472	5,372
Total	23,444	23,288

Schedule 6 - Cash and balances with Reserve Bank of India	As on 31 March 2023	As on 31 March 2022
I. Cash in hand (including foreign currency notes)*	4,339	3,364
II. Balances with Reserve Bank of India		
(i) in current account	34,869	11,475
(ii) in other accounts	26,500	36,000
Total (I and II)	65,438	111,679

* The Bank does not have any foreign currency note balances as on 31 March 2023 and 31 March 2022.

Schedule 7 - Balances with banks and money at call and short notice	As on 31 March 2023	As on 31 March 2022
I. In India		
(i) Balances with banks		
(a) In current accounts	1,710	1,247
(b) In other deposit accounts*	2,575	5,032
(ii) Money at call and short notice		
(a) With banks	-	-
(b) With other institutions	7,490	5,638
Total (i and ii)	11,781	11,917
II. Outside India		
(i) In current accounts	-	-
(ii) In other deposit accounts	-	-
(iii) Money at call and short notice	-	-
Total (I and II)	11,781	11,917

* Includes fixed deposits ₹ 2,542 lakhs (31 March 2023: ₹ Nil) and ₹ 22 lakhs (31 March 2022: ₹ 32 lakhs) (see marked for securitisation and UDA) respectively



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2023

(All amounts in ₹ lakhs except otherwise stated)

Schedule 8 - Investments	As on 31 March 2023	As on 31 March 2022
I. Investment in India in		
i) Government securities	251,288	214,147
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	995	1,016
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
Total*	252,284	215,163
II. Investment outside India in		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other investments	-	-
Total	-	-
Grand Total (I and II)	252,284	215,163
III. Investments		
A. Investments in India		
Gross value of investments	253,280	216,327
Less: Aggregate of provision/depreciator	(1,016)	(1,164)
Net Investments	252,264	215,163
B. Investments outside India		
Gross value of investments	-	-
Less: Aggregate of provision/appreciation/aggregation	-	-
Net Investments	-	-
Total Investments*	252,264	215,163

* Refer schedule 16.2 A - Investments

Schedule 9 - Advances	As on 31 March 2023	As on 31 March 2022
A. i) Bills purchased and discounted		
i) Cash credits, overdrafts and loans repayable on demand*	66,423	46,305
ii) Term loans*	780,919	699,491
Total	847,342	745,796
B. i) Secured by tangible assets (including advances against book debts)	383,692	175,159
ii) Covered by banks/Government guarantees	1,799	4,128
iii) Unsecured	454,824	524,411
Total	839,245	703,698
C. i) Advances in India		
i) Priority sector	725,395	603,618
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	144,847	66,775
Total	870,242	703,698
II. Advances outside India		
i) Dues from banks	-	-
ii) Dues from others	-	-
iii) Bills purchased and discounted	-	-
iv) Syndicate loans	-	-
v) Others	-	-
Total	-	-
Grand Total (C. i) and II)	870,242	703,698

* Nil of provision for non-performing assets aggregating to ₹ 17,545 lakhs, ₹ 32,340 lakhs and Non-Bank Participator Certificate (NBPC) sold and outstanding ₹ 66,000 lakhs, ₹ 20,800 lakhs as on 31 March 2023 and 31 March 2022 respectively.



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2023

(All amounts in ₹ lakhs except otherwise stated)

Schedule 10 - Fixed assets	As on 31 March 2023	As on 31 March 2022
A. Premises		
Gross Block		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Closing balance	-	-
Accumulated Depreciation		
Opening Balance	-	-
Charge for the year	-	-
Deductions during the year	-	-
Closing balance	-	-
B. Other fixed assets (including furniture and fixtures)		
Gross Block		
Opening balance	11,752	9,209
Additions during the year	3,547	2,696
Deductions during the year	(58)	(52)
Closing balance	15,241	11,753
Accumulated depreciation		
Opening balance	7,518	5,589
Charge for the year	2,140	2,012
Deductions during the year	(58)	(82)
Closing balance	9,600	7,519
Net Block*	5,631	4,234
Total fixed assets	5,631	4,234
* Including capital work-in progress amounting to ₹ 33 lakhs, ₹ 5 lakhs and intangible assets amounting to ₹ 130 lakhs, ₹ 151 lakhs as on 31 March 2023 and 31 March 2022 respectively		
Schedule 11 - Other assets	As on 31 March 2023	As on 31 March 2022
I. Inter-office adjustments (net)	-	-
II. Interest accrued	15,691	12,186
III. Tax paid in advance / tax deducted at source (net)	6,054	1,804
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Others*	19,138	29,476
Total	41,383	43,466
* Others	As on 31 March 2023	As on 31 March 2022
Loans given as collateral towards securitisation transactions	3,424	-
Deferred tax asset (refer schedule 18.24)	7,694	9,302
Security deposits	1,752	1,468
RTGS Settlement - Minor A/c	2,015	15,462
Goods & Services Tax input credit	754	634
Other receivables	3,259	2,732
	19,138	29,476



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2023
(All amounts in ₹ lakhs except otherwise stated)

Schedule 12 - Contingent Liabilities	As on	
	31 March 2023	31 March 2022
I. Claims against the bank not acknowledged as debts - loans	-	-
II. Claims against the bank not acknowledged as debts - others	-	-
III. Liability for partly paid investments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantee given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable*	6,101	-
Total	6,101	-
* Claims against the bank not acknowledged as debts-others	As on	
	31 March 2023	31 March 2022
Cash Collateral	2,543	-
Principal subordination	3,558	-
	6,101	-



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Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2023
(All amounts in ₹ lakhs except otherwise stated)

Schedule 13 - Interest earned	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Interest/Discount on advances/bills	158,845	132,947
E. Income on investments	14,044	9,999
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,055	2,747
IV. Others*	456	88
Total	174,412	146,857
- Others	Year Ended 31 March 2023	Year Ended 31 March 2022
Interest Income on money market instruments	325	-
Interest Income on Tri Party Repo lending	92	68
Others	1	0
	456	66
Schedule 14 - Other Income	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Commission, exchange and brokerage	13,698	8,675
E. Profit on sale of investments	29	540
Loss on sale of investments	(942)	(284)
III. Profit on revaluation of investments	-	-
Loss on revaluation of investments	(451)	(561)
IV. Profit on sale of land, buildings and other assets	7	4
Loss on sale of land, buildings and other assets	(59)	(7)
V. Profit on exchange/derivative transactions	-	-
(Loss) Loss on exchange/derivative transactions	-	-
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income ¹	10,042	10,258
Total	22,666	19,817
I. Miscellaneous Income	Year Ended 31 March 2023	Year Ended 31 March 2022
Income from sale of Priority Sector Lending Certificate	3,565	5,849
Debit card issue/maintenance charges	4,532	3,367
Others	2,145	1,214
	10,042	10,258
Schedule 15 - Interest expended	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Interest on deposits	45,911	42,116
E. Interest on Reserve Bank of India/inter-bank borrowings	3,732	2,994
III. Others	14,726	11,878
Total	65,369	56,978
Schedule 16 - Operating expenses	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Payments to and provisions for employees	56,829	41,297
E. Rent, taxes and lighting (refer schedule 18.25)	5,546	4,293
III. Printing and stationery	1,913	748
IV. Advertisement and publicity	1,115	787
V. Depreciation on Bank's property	2,149	2,012
VI. Directors' fees, allowances and expenses	142	143
VI. Auditors' fees and expenses	-	-
- Statutory Audit Fee	48	49
- Others	19	28
VII. Law charges	285	111
IX. Postage, telegrams, telephones, etc.	1,579	1,224
X. Repairs and maintenance	543	545
XI. Insurance	734	577
XII. Professional fee	3,171	2,079
XIII. Other expenditure ²	12,856	3,652
Total	87,485	64,989



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Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2023
(All amounts in ₹ lakhs except otherwise stated)

Schedule 16 - Operating expenses (cont'd)

1 Other expenditure	Year Ended	Year Ended
	31 March 2023	31 March 2022
Travelling and conveyance	2,273	1,995
Communicative expenses	492	578
Contribution towards CSR expenses (refer schedule 18.29)	239	399
Bank charges	12	101
Loss on securitisation	19	-
ATM/recycler charges	1,496	1,411
Credit Bureau charges	421	249
Business correspondence commission	4,535	3,095
Miscellaneous expense	3,672	2,956
	12,850	9,882



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

1 Overview

Pursuant to the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on 19 May 2017 and the issue of small finance bank license by the Reserve Bank of India ("RBI") on 12 May 2017, Disha Microfin Limited ("the Company") commenced its operations as a small finance bank with effect from 21 July 2017. Accordingly, the name of the Company was changed to Fincare Small Finance Bank Limited ("the Bank"). The Bank is a Banking Company governed by the Banking Regulation Act, 1949.

The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR/NBD, (SFB-Fincare), No.8140/16/13.216/2018-19 dated 28 March 2019 and published in the Gazette of India on 13 April 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

2 Summary of significant accounting policies

2.1 (i) Basis of preparation of financial statements

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the circulars and guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 (as amended) to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except otherwise stated. The accounting policies adopted in the presentation of financial statement are consistent with those followed in the previous year.

2.1 (ii) Impact of COVID 19

The COVID-19 pandemic affected the world economy over the last 2 to 3 years, however the operations have now returned to normalcy. The Bank continues to monitor and assess the impact of the pandemic on its operations and financials (including impact on provision for loan portfolio), which depend on ongoing as well as future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's responses thereto. All information available upto the date of these results have been considered and adequately dealt with in preparation and presentation of these financial results.

2.2 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognised prospectively in the current and future periods.

2.3 Revenue recognition

- (i) Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.3 Revenue recognition (Cont'd)

- (ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.
- (iii) Processing fees/upfront fee, handling charges of similar charges collected at the time of sanctioning or renewal of Loan/facility is recognised at the inception/renewal of loan.
- (iv) The fees charged on debit card issuance is recognised on an upfront basis
- (v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the priority sector obligation through the RBI trading platform. There is no transfer of risks of loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight-line basis over the tenure of the certificate.
- (vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.
- (viii) Other fees and commission income (including commission income on third party products) are recognized when due, except in cases where the bank is uncertain of ultimate collection.

2.4 Advances

Classification

Advances are classified into performing and non-performing advances ("NPA") based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on NPA classification and provisioning policy of the Bank, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ("IRAC") norms.

As per IRAC norms prescribed by RBI, a loan or an advance is classified as NPA where, the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or the account remains "out of order" in respect of an overdraft/cash credit (OD/CC) facility.

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

In case of micro-finance loans, rural micro enterprise loans, loan against gold, two wheeler loans, staff loans and CASA accounts with debit balances, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

Loss Assets

A loss asset is one where loss has been identified by the Bank but the amount has not been written off wholly. In other words, such an asset is considered uncollectable and of such little value that its continuance as a Bankable asset is not warranted although there may be some salvage or recovery value. All assets involving frauds would generally be treated as loss assets.

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities & Provisions-Others".

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on NPA classification and provisioning policy of the Bank, subject to minimum provisioning level prescribed by RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies.

NPAs which have been fully provided for, are written off, based on management estimate and as per the NPA Provisioning and Write off Policy of the Bank.

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Provision and contingency under schedule 18.15.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.4 Advances (Cont'd)

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of micro finance portfolio loan is made in accordance with the provisioning policy for micro finance own portfolio and in case of securitized portfolio of loan against property/rural loan against property loans, it is made in accordance with the provisioning policy for loan against property/rural loan against property own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

2.5 Inter-bank participation certificate ('IBPC')

The Bank enters into inter-bank participation with risk sharing as issuing bank and in accordance with the RBI guidelines, the aggregate amount of such participation are reduced from aggregate advance outstanding.

2.6 Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called 'categories').

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called 'groups') –

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments.

Purchase and sale transactions in respect of all securities are recorded under 'Settlement Date' of accounting.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debts instruments are recognised in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve, is appropriated from the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association (FIMMDA)/Financial Benchmark India Private Limited (FIBL), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FIBL.

The valuation of Non-SLR securities, other than those quoted on the stock exchange, wherever let to yield to Maturity (YTM) rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Securities are valued scrip wise and depreciation/appreciation aggregated for each group. Net appreciation in each group being unrealized, is ignored, while net depreciation is provided for.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.6 Investments (Cont'd)

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. Any diminution, other than temporary, in the value of such securities is provided for. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

2.7 Repo Reverse Repo transactions

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

2.8 Investment Fluctuation Reserve ("IFR")

With a view to building up of adequate reserve to protect against increase in yields, RBI through circular no. RBI/2017-18/147 BBR.No.BP.BC.102/21.04.048/2017-18 dated 02 April 2018, advised all banks to create an IFR with effect from the FY 2018-19.

Amount transferred to IFR is not less than lower of the following:

- (i) net profit on sale of investments during the year, or
- (ii) net profit for the year less mandatory appropriation, until the amount of IFR is at least 2% of the HFT and AFS portfolio, on a continuing basis.

The amount is drawn down from IFR as per the guidelines prescribed by RBI.

2.9 Transfer and servicing of assets

The Bank transfers loans through securitization/direct assignment transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitisation/assignment of loan portfolio (Premium loan transfer transactions) is amortised over the life of the underlying loan portfolio and the unamortised amount is disclosed as Deferred Income within 'Other liabilities' on the balance sheet.

Contractual rights to receive a portion of interest ('Unrealised profits') arising at the time of securitisation/ assignment of loan portfolio (PAR transactions) is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other assets' on the balance sheet. In accordance with RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other liabilities' on the balance sheet. Income from interest strip (excess interest spread) is recognised in the profit and loss account, net of any losses, when redeemed in cash.

2.10 Fixed assets (Property, Plant and Equipment)

Fixed assets (PPE), capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is recognized.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.11 Intangible assets

An intangible is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on the initial recognition at cost. The cost of an intangible assets comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

2.12 Depreciation and amortization

Depreciation on Fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Bank has used the following rates to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipment	5 years
Computer equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	Over the period of lease

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer software	3 years

Depreciation / amortisation is charged on a proportionate basis for all assets purchased and sold during the period.

2.13 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.14 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.14 Employee benefits (Cont'd)

The Bank contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the Projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arises.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability/Asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation as at the balance sheet date.

Other short-term benefits

Expense in respect of other short-term benefits including performance incentive is recognised on the basis of amount paid or payable for the period for which the employee render services.

Other long-term employee benefits- Deferred cash variable pay

As per policy, A minimum of 60% of Total Variable Pay shall be under deferral arrangement. At least 50% of the Cash component of Variable Pay shall be under deferral. Also, in case Cash Variable Pay for a performance period is below Rs.25 lakhs, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to Financial Year 2022-23, will be paid in Financial Year 2023-24, 100% of non-cash variable pay and 50% of cash pay was under deferral. The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

2.15 Employee Share Based Payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees and Managing Director of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.21. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Employee stock options outstanding account.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.15 Employee Share Based Payments (Cont'd)

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of the cost of lapsed option. In respect of the options which expire unexercised the balance standing to the credit of Employee stock options outstanding account is transferred to General Reserve.

2.16 Taxes on income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Non-monetary items which are measured at fair value or other similar value denominated in foreign currency are translated using the exchange rates at the date when such value is determined.

2.18 Provisions and contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.18 Provisions and contingent liabilities (Cont'd)

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognized in the financial statement.

2.19 Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

2.20 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.21 Transaction cost

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

- i. ROC fees paid to increase the authorized share capital is expensed to the profit and loss account.
- ii. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

2.22 Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term (i.e. lock in period).

2.23 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises of cash in hand, balances with RBI, balances with other banks.

2.24 Segment reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included Under Retail banking.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2023

2.24 Segment reporting(Cont'd)

c) Retail banking includes

(i) Digital Banking includes our 101 product and digital branches

1.101 Product is a digital product where onboarding of customer to any product or service delivery to customers are performed digitally there is no human intervention on any of the process cycle in 101 product.

2.Digital Branches are those branches where all the branch related activity like opening of customer account to any other bank branch activity are performed by Machine without and any human intervention.

Vide its circular dated April 7, 2022, on establishment of Digital Banking Units (DBUs), the RBI has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. During the year ended March 31 2023, the Bank has commenced operation at two DBUs and has identified one product type of deposits category as a Digital Banking Product.

(ii) The retail banking segment others - serves retail customers through the branch network (other than DBU). Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

d) Other banking operations

Other Banking operations includes all other banking operations not covered under 'Treasury', 'Wholesale Banking' and 'Retail Banking' segments. It also include all other residual operations such as para banking transactions/ activities.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

2.25. Share Issue Expenses

Share Issue expenses other than ROC fees paid to increase the authorized share capital are adjusted from Securities premium account as permitted by section 52 of Companies Act 2013.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule III - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.1 - Regulatory Capital

A. Composition of Regulatory Capital

The following table sets forth, for the years indicated, computation of capital adequacy as per the RBI guidelines (under Basel II):

Particulars	As on	
	31 March 2023	31 March 2022
I. Common Equity Tier 1 capital (CET 1) (Paid up share capital and reversion of debentures, if any)	117,853	108,488
II. Additional Tier 1 capital/Other Tier 1 capital	-	-
III. Tier 1 capital (I and II)	117,853	108,488
IV. Tier 2 capital	8,855	15,785
V. Total capital (I and IV)	126,708	124,273
VI. Total Risk Weighted Assets (RWAs)	831,177	836,894
VII. CET 1 Ratio	14.04%	12.94%
VIII. Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	14.04%	12.94%
IX. Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.05%	1.86%
X. Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	20.04%	20.32%
XI. Leverage Ratio	3.45%	10.05%
XII. Percentage of the shareholding of		
a) Government of India	-	-
XIII. Amount of paid-up equity capital raised during the year	-	15,717
XIV. Amount of non-equity Tier 1 capital raised during the year, of which	-	-
XV. Proposed Non-Cumulative Preference Shares (NCPFS)	-	-
XVI. Proposed Debt Instruments (PDI)	-	-
XVII. Amount of Tier 2 capital raised of which:		
XVIII. Debt capital instruments (discounted value)	8,855	8,800
XIX. Preference Share Capital Instruments (Proposed Cumulative Preference Shares (CPS)/ Redeemable Non-Cumulative Preference Shares (NCPFS)/ Redeemable Cumulative Preference Shares (RCPS))	-	-

* Subordinated debt (considered in Tier 2 capital) outstanding as on 31 March 2023 is ₹ 17,508 lakhs (31 March 2022: ₹ 25,825 lakhs).

B. Details of Subordinate debt

ISIN Number	Debt Maturity Date of Redemption	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2023	Equivalent Amount as on March 31, 2022
INE190200000	26 May 2017	12.60%	68	68	2,561
INE190200005	30 March 2018	11.30%	75	3,760	3,709
INE1902000137	22 March 2018	11.30%	75	3,800	3,858
INE1902000132	30 September 2018	12.97%	72	10,089	10,089

C. Draw down from reserves

During the year ended 31 March 2023 and 31 March 2022, there were no drawdown from reserves.

D. Capital Injection

During the year ended 31 March 2022, the Bank has not injected capital (31 March 2022: 15,717 Lakhs). Details of movement in the paid up equity share capital are as below:

Particulars	As on 31 March 2022		As on 31 March 2023	
	Equity Shares	Amount (₹)	Equity Shares	Amount (₹)
Equity shares at the beginning of the year	226,778,728	22,376	226,778,728	22,376
Addition pursuant to equity shares issued during the year	-	-	15,717	1,571
Addition pursuant to bonus equity shares issued during the period	-	-	147,188,468	14,718
Equity shares outstanding at the end of the year	226,778,728	22,376	424,145,664	41,605



Finance Small Finance Bank Limited
Memorandum to Members in the Financial statements
As at the end of the financial year ended 31st March 2023
As a Corporation of Investment Companies as on 31 March 2023

Particulars	Total investments in India				Total investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debt instruments and other securities	Government securities (including total investments)	Other securities	Shares	Other	
Held to Maturity									
Cash	126,719	-	-	126,719	-	-	-	-	126,719
Net Provision for impairment (net of MPE)	424,724	-	-	424,724	-	-	-	-	424,724
Available for Sale									
Equity	122,007	-	-	122,007	-	-	-	-	122,007
Net Provision for depreciation and MPE	207	-	-	207	-	-	-	-	207
Held for Trading									
Equity	332,826	-	-	332,826	-	-	-	-	332,826
Net Provision for depreciation and MPE	-	-	-	-	-	-	-	-	-
Net									
Total Investments	252,181	-	-	252,181	-	-	-	-	252,181
Less: Provision for non-performing investments	177	-	-	177	-	-	-	-	177
Less: Provision for depreciation and MPE	252,181	-	-	252,181	-	-	-	-	252,181

AS Corporation of Investment Companies as on 31 March 2023

Particulars	Total investments in India				Total investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debt instruments and other securities	Government securities (including total investments)	Other securities	Shares	Other	
Held to Maturity									
Cash	11,020	-	-	11,020	-	-	-	-	11,020
Net Provision for impairment (net of MPE)	11,020	-	-	11,020	-	-	-	-	11,020
Available for Sale									
Equity	50,847	-	-	50,847	-	-	-	-	50,847
Net Provision for depreciation and MPE	1,218	-	-	1,218	-	-	-	-	1,218
Held for Trading									
Equity	183,522	-	-	183,522	-	-	-	-	183,522
Net Provision for depreciation and MPE	-	-	-	-	-	-	-	-	-
Net									
Total Investments	246,689	-	-	246,689	-	-	-	-	246,689
Less: Provision for non-performing investments	849	-	-	849	-	-	-	-	849
Less: Provision for depreciation and MPE	246,689	-	-	246,689	-	-	-	-	246,689

3. Movement of Provisions for Depreciation and Impairment Provision Reserve

Particulars	31 March 2022	31 March 2023
1. Movement of provisions held towards Allocation on Investments		
a) Opening balance	564	2
b) Add: Provisions made during the year	1,310	684
c) Less: Provisions made during the year	(2,050)	(882)
d) Closing balance	824	804
2. Movement of Investment Provision Reserve		
a) Opening balance	2,282	658
b) Add: Amount transferred during the year	285	1,254
c) Less: Distribution	(3,451)	(2,089)
d) Closing balance	1,116	823
3. Provisions in net income as a percentage of closing balance of investments in AFS and Held to Maturity	2%	3%



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 10 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.2 - Investments (cont'd)

C. Repurchase transactions

Tri - Party Repo / Reverse Repo

Particulars	Minimum outstanding during the year 2022-23	Maximum outstanding during the year 2022-23	Daily Average outstanding during the year 2022-23	Outstanding as on 31 March 2022
Securities sold under repo*				
i. Government securities	58,272	102,577	67,540	58,272
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-
Securities purchased under reverse repo*				
i. Government securities	-	182,580	8,889	7,837
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-

Particulars	Minimum outstanding during the year 2021-22	Maximum outstanding during the year 2021-22	Daily Average outstanding during the year 2021-22	Outstanding as on 31 March 2022
Securities sold under repo*				
i. Government securities	5,397	88,912	58,742	83,588
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-
Securities purchased under reverse repo*				
i. Government securities	36,284	133,860	79,181	97,887
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-

* Amounts reported are based on the face value of securities under Repo and Reverse Repo.

Qualitative disclosures

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and got the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. 31 August 2019 after regular collateral and default funds were in place.

The securities provided/collateral to the bank for reverse repo transactions are all issued by Government of India in the form of Government securities, Floating rate bonds and T-Bills.

D. Non-SLR investment portfolio

of lesser composition of Non-SLR investments

As on 31 March 2022

Investor	Amount	Extent of Private Placement	Extent of 'Select' Investment Grade Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
i. PSU	-	-	-	-	-
ii. FI	1,028	-	-	-	-
iii. Banks	-	-	-	-	-
iv. Private Corporate	-	-	-	-	-
v. Subordinated Debt Investors	-	-	-	-	-
vi. Others	-	-	-	-	-
vii. Provision held towards impairment	(70)	-	-	-	-
Total	958	-	-	-	-

As on 31 March 2021

Investor	Amount	Extent of Private Placement	Extent of 'Select' Investment Grade Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
i. PSU	-	-	-	-	-
ii. FI	1,028	-	-	-	-
iii. Banks	-	-	-	-	-
iv. Private Corporate	-	-	-	-	-
v. Subordinated Debt Investors	-	-	-	-	-
vi. Others	-	-	-	-	-
vii. Provision held towards impairment	(116)	-	-	-	-
Total	1,412	-	-	-	-

ii) Non-performing Non-SLR investments

During the year ended 31 March 2022 and 31 March 2021, there are no non performing Non - SLR investments.

E. Sale and Transfer to/from HTM Category

During the years ended March 31, 2022 and March 31, 2021, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year.

The 5% threshold referred to above does not include certain transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the latest RBI guidelines, sale of securities to the RBI under liquidity management operations of RBI like Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP), direct sales from HTM category for bringing down SLR holding consequent to a downward revision in SLR requirement by RBI, repurchase of Government securities by Government of India or repurchase of State Development Loans (SDL) by respective State Governments under respective buyback/ swap operations, and additional selling of securities explicitly permitted by RBI.

18.3 - Derivatives

During the year ended 31 March 2022 and 31 March 2021, the Bank has not undertaken any derivative transaction and there is no outstanding position as on the year end. Hence, disclosure related to forward rate agreement / interest rate swap, credit default swaps and exchange traded interest rate derivatives are not provided.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)



Fincare Small Finance Bank Limited

(Schedule 11 - Items to the financial statements
set out in Part C of the prospectus)

16.4 - Asset liability

A. Classification of advances and provisions held

Particulars	As on 31 March 2022			As on 31 March 2023			Total
	Standard	Non-Performing	Total	Standard	Non-Performing	Total	
Over Transfer Advances and NPAs							
Opening Balance	878,854	52,037	930,891	878,854	52,037	930,891	930,891
Less: Charge during the year	-	-	-	-	-	-	-
Less: Provisions during the year ⁽¹⁾	-	-	-	-	-	-	-
Closing balance	878,854	52,037	930,891	878,854	52,037	930,891	930,891
Relaxations in Gross NPAs due to:							
(i) Operations	16,654	59,664	76,318	16,654	59,664	76,318	76,318
(ii) Recoveries (including recoveries from repledged accounts)	13,379	53,339	66,718	13,379	53,339	66,718	66,718
(iii) Transfer of Prudential Norms-etc.	52,142	33,419	85,561	52,142	33,419	85,561	85,561
(iv) Write-offs other than those under (i) above	1,790	1,732	3,522	1,790	1,732	3,522	3,522
Provisions (including Prudential Provisions)							
Opening balance of provisions held	8,242	26,320	34,562	11,416	8,027	19,443	34,562
Add: Fresh provisions made during the year	-	52,662	52,662	-	59,477	59,477	112,139
Less: Excess provision reversed Write-off loans	-	-	-	-	-	-	-
Closing balance of provisions held	8,242	78,982	87,224	11,416	67,504	78,920	146,141
Net NPAs							
Opening Balance	22,217	2,495	24,712	22,217	2,495	24,712	24,712
Add: Fresh provisions made during the year	-	52,662	52,662	-	59,477	59,477	112,139
Less: Reversals during the year	-	-	-	-	-	-	-
Closing balance	22,217	55,157	77,374	22,217	61,972	84,189	106,851
Funding Provisions							
Opening balance	-	-	-	-	-	-	-
Add: Additional provisions made during the year	-	-	-	-	-	-	-
Less: Amount drawn down during the year	-	-	-	-	-	-	-
Closing balance of funding provisions	-	-	-	-	-	-	-
Total							
Opening Balance	878,854	52,037	930,891	878,854	52,037	930,891	930,891
Add: Fresh provisions made during the year	-	52,662	52,662	-	59,477	59,477	112,139
Less: Reversals during the year	-	-	-	-	-	-	-
Closing balance	878,854	104,699	983,553	878,854	111,514	990,368	1,092,529

The bank has completed the ratio for the purpose of this disclosure from its internal AFS system.

B. Ratio		As on 31 March 2022	As on 31 March 2023
Gross NPA to Gross Advances		3.25%	7.59%
Net NPA to Net Advances		1.30%	9.25%
Provision Coverage Ratio ⁽²⁾		91.51%	18.16%



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 1A - Notes to the financial statements
(All amounts in Rupees except otherwise stated)

1A.6 - Asset quality (cont'd)

C. Details of Restructured Accounts as per Circular no. RBI/2014-19/2023/2023 No. DP.2C.4014.04/04/2018-19 dated 17 June 2018

Particulars	Agriculture and allied activities		Corporate (Including MSME)		Micro small and medium enterprises		Retail (including agriculture and MSME)		Total
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	
No. of Borrowers	5,755	2,447	-	-	-	-	-	-	5,755
Gross Amount	610	455	-	-	-	-	-	-	610
Provision held	33	2	-	-	-	-	-	-	35
No. of Borrowers	3,705	38,854	-	-	-	-	-	-	3,705
Gross Amount	235	8,745	-	-	-	-	-	-	235
Provision held	130	4,032	-	-	-	-	-	-	130
No. of Borrowers	5,388	72	-	-	-	-	-	-	5,388
Gross Amount	544	39	-	-	-	-	-	-	544
Provision held	349	18	-	-	-	-	-	-	349
No. of Borrowers	22,846	41,273	-	-	-	-	-	-	22,846
Gross Amount	1,368	9,219	-	-	-	-	-	-	1,368
Provision held	706	4,622	-	-	-	-	-	-	706

The Bank has complied the data for the purpose of this disclosure from its internal AFS system.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakh, except otherwise stated)

18.4 - Asset quality (cont'd)

0. Details of resolution plan implemented under the Resolution Framework for Covid-19 related Stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 01, 2021 (Resolution Framework 2.0) as at March 31, 2023 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year (i.e.30 September 2022) (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2023	Of (A) amount written off during the half-year ended 31 March 2023	Of (A) amount paid by the borrowers during the half-year ended 31 March 2023	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year (i.e.31 March 2023) ^{2,3}
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	5,760	1,325	138	1,483	2,794
Total	5,760	1,325	138	1,483	2,794

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The amounts mentioned in above table does not include interest accrued as on the date of implementation of the plan.

¹ Includes cases where the resolution plan implemented after 30 September 2021

² Represents fund based outstandings as of 30 September 2022

³ Represents fund based outstandings as of 31 March 2023

Details of resolution plan implemented under the Resolution Framework for Covid-19 related Stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 01, 2021 (Resolution Framework 2.0) as at September 30, 2022 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year (i.e.31 March 2022) (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended 30 September 2022	Of (A) amount written off during the half-year ended 30 September 2022	Of (A) amount paid by the borrowers during the half-year ended 30 September 2022	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year (i.e.30 September 2022) ^{2,3}
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	12,138	2,329	1,102	2,657	5,760
Total	12,138	2,329	1,102	2,657	5,760

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The amounts mentioned in above table does not include interest accrued as on the date of implementation of the plan.

¹ Includes cases where the resolution plan implemented after 30 September 2021

² Represents fund based outstandings as of 31 March 2022

³ Represents fund based outstandings as of 30 September 2022

⁴ Closing balance does not include upgrated accounts as of 30 September, 2022



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Details of resolution plan implemented under the Resolution Framework for Covid-19-related Stress as per RBI circular dated August 6, 2020 [Resolution Framework 1.0] and May 05, 2021 [Resolution Framework 2.0] as at March 31, 2022 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of the previous half-year (i.e. 30 September, 2021) (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2022	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of this half-year (i.e. 31 March 2022) ²
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	25,377	10,673	265	2,901	12,138
Total	25,377	10,673	265	2,901	12,138

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The amounts mentioned in above table does not include interest accrued as on the date of implementation of the plan.

¹ Includes cases where the resolution plan implemented after 30 September 2021.

² Represents fund based outstanding as of 30 September 2021

³ Represents fund based outstanding as of 31 March 2022.

E. Disclosure on implementation of resolution plan as required under RBI circular dated June 7, 2019 on Prudential Framework for Resolution of Stress Assets

Financial Year 2022-23

Particulars	Resolution Plan Implemented	Resolution Plan not Implemented
No. of borrowers where timeline for implementation of resolution plan was before 31st March 2023	60,565	Nil
Fund based outstanding as on 31st March 2023	9,247	Nil
Additional provision held as per RBI circular of June 7, 2019	41	Nil

Financial Year 2021-22

Particulars	Resolution Plan Implemented	Resolution Plan not Implemented
No. of borrowers where timeline for implementation of resolution plan was before 31st March 2022	50,709	Nil
Fund based outstanding as on 31st March 2022	12,891	Nil
Additional provision held as per RBI circular of June 7, 2019	54	Nil

F. Disclosure on the scheme for MSME sector - restructuring of advances
During the year ended 31 March 2023 and 2022, the Bank has not done any MSME restructuring.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Annexure 18 - Notes to the financial statements
(All amounts in ₹ million unless otherwise stated)

18.4 - Asset quality (cont'd)

G. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Bank has not sold any financial assets during the year ended 31 March 2023 and 31 March 2022 to securitisation / reconstruction company for asset reconstruction.

H. Details of non-performing financial assets purchased / sold

The Bank has not purchased or sold any non-performing financial assets during the year ended 31 March 2023 and 31 March 2022.

I. Provisions towards standard assets

Particulars	As on 31 March 2023	As on 31 March 2022
Provisions towards standard assets	5,363	5,342
	5,363	5,342

J. Sectoral Advances and Gross NPAs

Sector ¹	As on 31 March 2023			As on 31 March 2022		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector						
(i) Agriculture and allied activities	418,898	15,193	2.70%	414,352	34,815	8.21%
Small & Marginal Farmer	242,431	10,433	4.30%	307,525	28,870	9.42%
Agriculture (Others)	176,467	4,760	2.69%	106,827	5,945	5.57%
(ii) Advances to inclusive sector	18,894	268	1.42%	2,211	27	1.24%
Borrowers as priority sector lending	57,549	645	1.13%	15,487	114	0.74%
(iii) Personal loans and others	262,626	7,450	2.84%	234,952	17,843	7.61%
Sub-Total (A)	741,488	23,111	3.12%	654,722	52,695	8.05%
B. Non Priority Sector						
Agriculture and allied activities	6,891	133	1.93%	6,311	360	5.71%
Industry	7,175	450	6.27%	6,880	223	3.24%
Services	24,670	763	3.09%	15,436	180	1.17%
Personal loans	938,170	3,634	0.39%	926,161	4,551	0.49%
Sub-Total (B)	966,906	5,080	0.53%	954,788	5,314	0.56%
Total (A+B)	1,708,394	28,191	1.65%	1,609,510	58,009	3.61%

Provision on Gross NPA ₹ 17,545 lakhs (31 March 2022: ₹ 32,048 lakhs)

The Bank has completed the data for the purpose of PIA disclosure from its internal MIS system.

K. Higher provision for Covid 19

The COVID-19 pandemic affected the sector's economy over the last 2 to 3 years, however the operations have now returned to normalcy. The Bank continues to monitor and assess the impact of the pandemic on its operations and finances (including impact on provision for loan portfolio), which depend on ongoing as well as future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's response thereto. All information available upto the date of these results have been considered and adequately dealt with in preparation and presentation of these financial results.

The Bank has created an additional provision of ₹ 2,274 lakhs and ₹ 34,068 lakhs for the year ended 31 March 2023 and 31 March 2022 respectively. The bank continues to carry an additional provision on account of COVID-19 of ₹ 14 lakhs and ₹ 870 lakhs as on 31 March 2023 and 31 March 2022 respectively.

L. Overhead Assets, NPAs and Revenue

The Bank does not hold any overhead assets / NPAs as on 31 March 2023 and 31 March 2022 and also no overhead operations were undertaken during the year. Hence revenue from overhead operations is Nil.

M. Divergence in asset classification and provisioning

There was no divergence observed by the RBI for the FY 2021-22 and Bank is not in receipt of any communication from RBI in this regard for FY 2022-2023.

N. Disclosure of provision for fraud

Particulars	As on 31 March 2023	As on 31 March 2022
Number of frauds reported during the year to the RBI	134	43
Amount involved in such frauds	734	71
Provision made during the year (net of recovery)	229	18
Unrecovered provision debited from other sources as at the end of the year	-	-

18.5 - Business ratios

Particulars	As on 31 March 2023	As on 31 March 2022
(i) Interest income as a percentage to working funds ¹	16.03%	15.67%
(ii) Net interest income as a percentage to working funds ²	2.08%	2.17%
(iii) Cost of Deposits ³	5.98%	7.47%
(iv) Net Interest Margin ⁴	10.08%	10.21%
(v) Operating profit ⁵ as a percentage to working funds ¹	4.67%	4.01%
(vi) Return on assets (average) ⁶	0.86%	0.76%
(vii) Business ⁷ per employee ⁸	37.44	353.74
(viii) Profit per employee ⁸	0.82	0.69

1 For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 37 of the Banking Regulation Act, 1949.

2 Operating profit is net profit for the year before provisions and contingencies.

3 Business is monthly average of advances and deposits (net of inter bank deposits) as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

4 Productivity ratios are based on average employee number.

5 For the purpose of computing the ratio, interest on deposit and deposit represent the monthly average of total deposit computed for reporting dates of Form X submitted to the RBI under Section 37 of the Banking Regulation Act, 1949.

6 Net Interest Income/Average Earning Assets where Net Interest Income= Interest Income - Interest Expense and Average earning assets is monthly average of advances, investments and money at call and short notice as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

7 Return on Assets would be with reference to average working funds (i.e., total of assets excluding accumulated losses, if any).



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 1A - Maturity of the financial statements
(All amounts in ₹ unless otherwise stated)

1A - Asset liability management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31 March 2022.

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	31 days to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	18,751	18,051	18,082	15,631	7,571	6,657	319,273	452,878	13,683	-	-	603,318
Advances ^{1,2}	855	10,203	12,825	17,881	43,347	46,506	142,301	148,202	228,111	67,243	534,125	870,332
Investments	89,279	3,118	2,786	9,658	2,761	2,760	35,660	116,544	2,454	12	12	252,284
Borrowings	-	-	837	3,500	5,917	8,050	44,677	163,848	9,510	475	475	276,400
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31 March 2023.

	Day 1	2 to 7 days	8 to 14 days	15 to 29 days	31 days to 2 months	2 months to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	15,027	6,659	20,757	4,037	12,690	12,746	161,846	185,719	147,371	18,789	1,344	444,617
Advances ^{1,2}	2,214	2,972	10,278	14,800	27,505	27,505	170,268	195,203	2,690	4,292	82,242	351,185
Investments	45,711	3,000	4,300	3,000	2,385	3,385	42,844	148,147	33,210	799	799	294,354
Borrowings	NA	NA	11,000	NA	660	NA	42,844	148,147	NA	NA	NA	294,354
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

The Bank has compiled the table for the purpose of the disclosure to the Internal MSZ system.

Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.

Notes:

- 1 The above borrowings exclude interest accrued and due and interest accrued but not due.
- 2 The advances comprise of portfolio loans and does not include interest accrued but not due.
- 3 Includes interest bearing loans only.



Fincare Small Finance Bank Limited

Schedule 1A - Notes to the financial statements
(All amounts in ₹ crore, except otherwise stated)

18.2 - Segment reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the offering risks and returns, the regulatory structure and the guidelines prescribed by the RBI. The Bank operates in the following segments:

- a) Treasury
The treasury segment primarily consists of equity investment portfolio of the Bank.
 - b) Corporate/Wholesale banking
Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.
 - c) Retail banking
(i) Digital Banking includes our 99T product and digital branches.
1. 99T Product is a digital product where onboarding of customer is performed digitally there is no human intervention on any of the process cycle in 10T product.
2. Digital Branches are those branches where all the branch related activity like opening of customer account is performed by Machine without any human intervention.
 - (ii) Non-Digital Banking includes all other branches of the Bank.
- Note: As circular dated April 7, 2022, on establishment of Digital Banking Unit (DBU), the RBI has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. During the year ended March 31, 2023, the Bank has commenced operation at two DBUs and has started our product type of deposits category as a Digital Banking Product.
- d) Other banking operations
The other banking operations include all other banking operations not covered under Treasury, Wholesale Banking and Retail Banking segments. It also includes all other retail operations such as pass banking (transfers/credit) activities.
 - e) Unallocated
All items which are not covered in any of the above segments are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments
The business operations of the bank are concentrated in India hence the bank is considered to operate only in domestic segment.

Particulars	Treasury		Corporate/Wholesale Banking		Digital Banking		Retail Banking		Other Banking Operations		Total
	31-Mar-2022	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022	31-Mar-2023	
Revenue	14,503	15,440	892	480	81	14	141,216	150,228	1,358	1,206	157,600
Profit	751	3,118	3,028	(1,231)	(1,651)	(1,120)	17,445	4,421	922	740	14,467
Operational expenses											14,467
Goodwill											12,897
Intangible assets											3,833
Impairment provision											(1,727)
Net profit											18,264
Other Intangibles											1,233,572
Payment assets	351,770	357,331	13,356	3,110	28	-	501,123	710,512	552	426	1,244,107
Payment liabilities	1,244,107	1,244,107									1,244,107
Net assets											1,244,107
Shareholders' Equity	348,779	377,638	340	77	0,044	0,000	833,112	673,111	455	274	1,116,640
Liabilities											124,467
Total liabilities											1,244,107

Note:
1. In computing the above amounts, mobile applications and activities are made by the management which have been relied upon by the auditor.
2. The Bank is not using transfer pricing methodology currently for the services rendered to the internal departments.



Fincare Small Finance Bank Limited

Schedule 16 - notes to the financial statements
(All amounts in ₹ unless otherwise stated)

11.8 - Related party disclosure

Description of relationship
0 Parties whose control exists
Fincare Business Services Limited

0 Key management personnel
Mr. Rajeev Yadav
Mr. Kojay Doshi
Mr. Shashik Nishant

0 Other related parties
Mr. Rajesh, Mr. M. Nand, Kojay Doshi, Mr. Ansh Kojay Doshi, Mr. Gopalshankar Doshi, Mr. Kojay Doshi, Mr. Ansh Doshi, Mr. Pravin Yadav, Mr. Vijay Yadav, Mr. Ajay Yadav, Mr. Gopalshankar Doshi, Mr. Ansh Doshi, Mr. Pravin Yadav, Mr. Vijay Yadav, Mr. Ajay Yadav

0 The transactions with related parties during the year :

Nature of transaction

Issue of equity shares by way of Right Issue
Mr. Rajeev Yadav
Mr. Kojay Doshi
Relative of key management personnel

Issue of equity shares by way of Bonus Issue
Mr. Rajeev Yadav
Mr. Kojay Doshi
Fincare Business Services Limited
Relative of key management personnel

Benefits provided on equity shares by way of Right Issue
Mr. Rajeev Yadav
Mr. Kojay Doshi
Relative of key management personnel

Management representation/warranty for KMP
Mr. Rajeev Yadav
Mr. Kojay Doshi
Mr. Shashik Nishant
* does not include variable pay

Term deposits made with the Bank
Fincare Business Services Limited
Mr. Rajeev Yadav
Relative of key management personnel

Term deposits matured (inclusive of interest)
Mr. Rajeev Yadav
Mr. Kojay Doshi
Relative of key management personnel

Nature of relationship
Holding Company

Managing Director and Chief Executive Officer
Chief Financial Officer
Company Secretary

Relative of key management personnel

31 March 2023

31 March 2022

No. of Equity Shares

Value per Share

0

85,171

10

985,648

10

224

10

983,664

10

116,935,712

10

1,228,028

10

101

160

85,171

160

985,648

10

204*

145

137

32

2,099

19



Fincare Small Finance Bank Limited

Schedule 11 - Notes to the financial statements
(All amounts in ₹ crore unless otherwise stated)

11.8 - Related party disclosure (cont'd)

Particulars	31 March 2022	31 March 2023
Interest expense on term deposits		
Fincare Business Services Limited	8	15
Mr. Rajeev Yadav	1	1
Mr. Ajay Doshi	0	0
Relative of key management personnel	80	14
Interest expense on Sub Debts		
Relative of key management personnel	1	1
Interest expense on Saving account		
Mr. Rajeev Yadav	0	0
Mr. Ajay Doshi	0	1
Ms. Shweta Kulkarni	0	1
Relative of key management personnel	1	0
Receipt of Subinvestment of IPO Cust	14	42
Fincare Business Services Limited (Formerly Fincare Business Services Private Limited)		
Holding Company	425	-
v) Closing balance of the transactions with related parties i)		
Notes to transactions		
Deposit balances (savings and term deposit)		
Fincare Business Services Limited (Formerly Fincare Business Services Private Limited)	296	361
Mr. Rajeev Yadav	0	7
Mr. Ajay Doshi	0	0
Ms. Shweta Kulkarni	4	10
Relative of key management personnel	538	463
Subsidiary payable		
Relative of key management personnel	11	11
Interest payable on Subsidiary		
Relative of key management personnel	0	0
Current interest payable		
Fincare Business Services Limited	10	0
Related parties		
Holding Company		
Managing Director and Chief Executive Officer		
Chief Financial Officer		
Company Secretary		
Relative of key management personnel		
Holding Company		
Holding Company		
Managing Director and Chief Executive Officer		
Chief Financial Officer		
Company Secretary		
Relative of key management personnel		
Holding Company		



Fincare Small Finance Bank Limited

Schedule 14 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)
18.3 - Related party disclosure (contd)
v) Maximum outstanding during the year:

Nature of transaction	31 March 2023	31 March 2022
Deposit (savings and term deposit)		
Fincare Business Services Limited	647	2,898
Mr. Rajeev Yadav	26	8
Mr. Rajeev Doshi	167	424
Ms. Shalby Kothari	35	20
Relative of key management personnel	1,203	3,152
Interest expense payable on deposit balance (savings and term deposit)		
Fincare Business Services Limited	6	1
Mr. Rajeev Yadav	1	0
Mr. Rajeev Doshi	0	1
Ms. Shalby Kothari	0	0
Relative of key management personnel	38	20
Subsided payable		
Relative of key management personnel	11	11
Interest on Sub-sidied payable		
Relative of key management personnel	1	1
Current account balance		
Fincare Business Services Limited	2,498	1,626

Relating to

Holding Company
Managing Director and Chief Executive Officer
Chief Financial Officer
Company Secretary
Relative of key management personnel
Holding Company
Managing Director and Chief Executive Officer
Chief Financial Officer
Company Secretary
Relative of key management personnel
Relative of key management personnel
Relative of key management personnel
Relative of key management personnel
Holding Company



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.9 - Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As on	As on
	31 March 2023	31 March 2022
Total deposits of twenty largest depositors	152,384	114,612
Percentage of deposits of twenty largest depositors to total deposits of the Bank	18.97%	17.78%

B. Concentration of advances

Particulars	As on	As on
	31 March 2023	31 March 2022
Total advances to twenty largest borrowers	18,572	14,390
Percentage of advances to twenty largest borrowers to total advances of the Bank	2.13%	1.99%

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

C. Concentration of exposures

Particulars	As on	As on
	31 March 2023	31 March 2022
Total exposure to twenty largest borrowers / customers	18,572	14,390
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	2.13%	1.99%

Investment exposure of non-borrower have not been considered while arriving at total exposure.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

D. Concentration of NPAs

Particulars	As on	As on
	31 March 2023	31 March 2022
Total Exposure to the top twenty NPA accounts	580	664
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	2.01%	1.16%



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Schedule 16 - Notes to the financial statements
(All amounts in ₹, unless otherwise stated)

16.16 - Liquidity coverage ratio

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended 30 June 2022		Quarter ended 31 September 2022		Quarter ended 31 December 2022		Quarter ended 31 March 2023	
	Total Unweighted Value* (percentage)	Total Weighted Value** (percentage)	Total Unweighted Value* (percentage)	Total Weighted Value** (percentage)	Total Unweighted Value* (percentage)	Total Weighted Value** (percentage)	Total Unweighted Value* (percentage)	Total Weighted Value** (percentage)
1) Total High Quality Liquid Assets (HQLA)	182,641	182,641	185,519	185,519	173,490	173,490	187,749	187,749
Cash outflows								
2) Retail deposits and deposits from small business customers, of which:								
- Stable deposits	16,004	649	17,210	660	21,167	1,029	26,079	6,334
- Less: loans repayable	281,133	26,513	274,131	37,514	288,252	34,838	281,256	39,825
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Operational deposits (all counterparties)	133,214	91,339	119,776	84,833	133,266	99,216	118,093	83,174
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	24,817	883	14,521	5,243	8,266	-	14,622	4,627
5) Additional requirements, of which:								
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to less of funding on debt products	15,660	4,609	13,133	3,723	11,864	3,653	13,417	3,178
- Credit and liquidity facilities	9,581	9,581	12,464	12,464	12,371	12,271	15,285	15,285
6) Other contractual funding obligations	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows	144,221	144,221	144,835	144,835	146,834	146,834	167,213	167,213
Cash inflows								
9) Secured lending (e.g. reverse repo)	20,225	-	4,651	-	1,833	-	2,014	-
** 10) Inflows from fully performing exposures	70,451	51,071	65,116	36,619	65,607	45,454	59,126	34,673
** 11) Other cash inflows	-	-	-	-	-	-	-	-
12) Other contractual cash inflows	13,260	6,030	12,889	6,344	12,451	6,261	13,581	6,790
13) Total Cash Inflows	111,946	56,201	72,658	40,962	79,841	47,685	74,721	41,468
14) Total HQLA	182,641	182,641	185,519	185,519	173,490	173,490	187,749	187,749
15) Final Net Cash Outflows	48,120	48,120	100,814	100,814	96,179	96,179	103,743	103,743
16) Liquidity Coverage Ratio (%)	212.69%	212.69%	178.60%	178.60%	175.17%	175.17%	185.01%	185.01%

*The disclosures are arrived at by taking into account simple average of each of the five days of LCR computations over 60 days of each quarter of year ended 31 March 2023 and 31 March 2022. In computing the above information, certain assumptions and estimates have been made by the management which have been noted upon by the auditor.

The Bank has complied the data for the purpose of this disclosure from its internal MIS system.



Fincare Small Finance Bank Limited

Schedule III - Notes to the financial statements
(All amounts in ₹ unless stated otherwise)

19.16 - Liquidity coverage ratio (LCR) is given below:
Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended 30 June 2023		Quarter ended 31 December 2022		Quarter ended 31 March 2022	
	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)
1) Total High Quality Liquid Assets (HQLA)	247,471	216,030	194,706	188,780	-	-
Cash outflows						
2) Rapid deposits and deposits from small business customers, of which:						
- Stable deposits	32,312	34,446	34,612	37,918	-	-
- Less stable deposits	-	-	-	-	-	-
3) Unsecured advances/loans, of which:	52,187	68,010	48,918	71,868	-	-
- Secured advances/loans	-	-	-	-	-	-
- Non-secured deposits (all non-secured)	-	-	-	-	-	-
- Unsecured retail	-	-	-	-	-	-
4) Secured wholesale funding	23,217	21,882	26	25,700	-	-
5) Additional requirements, of which:						
- Outflow related to derivatives exposures and other off-balance sheet assets	-	-	-	-	-	-
- Outflow related to line of funding on debt products	3,881	252	123	4,227	-	-
- Credit and liquidity facilities	6,780	8,574	6,823	8,500	-	-
6) Other contingent liability obligations	-	-	-	-	-	-
7) Other contingent liability obligations	-	-	-	-	-	-
8) Total Cash Outflows	59,341	119,428	105,341	131,328	-	-
Cash inflows						
9) Secured lending (e.g. reverse repo)	102,188	85,786	-	71,857	-	-
10) Inflows from fully performing exposures	16,093	17,081	16,137	16,253	-	-
11) Other cash inflows	176	120	413	1,850	-	-
12) Other contractual cash inflows	5,048	5,448	6,472	13,418	-	-
13) Total Cash Inflows	123,375	114,375	23,042	33,311	-	-
14) Total HQLA	247,471	216,030	194,706	188,780	-	-
15) Total Net Cash Outflows	78,296	66,378	80,233	102,217	-	-
16) Liquidity Coverage Ratio (%)	317.64%	316.62%	221.84%	181.70%	-	-

*The HQLA is arrived taking into account simple average of each of the line item of LCR commitments over 30 days of each quarter of year ended 31 March 2023 and 31 March 2022. In computing the above information, certain assumptions and estimates have been made by the management which have been noted later in the audit.

The Bank has complied the table for the purpose of fully disclosure from its internal MIS system.

Qualitative Disclosure around LCR

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High-Quality Liquid Assets (HQLA) to Expected Net Cash Outflows over the next 30 calendar days, as per the RBI guidelines. Banks were required to meet the minimum required level of 100% LCR with effect from April 01, 2021.

The LCR is being computed and monitored on daily basis average basis. The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario applied by supervisors.

The Bank's High Quality Liquid Assets comprises mainly of excess BSL securities, cash, excess GDR issuances, Marginal Standing Facility (MSF) to the extent of 3 per cent of December 31, 2021 and 2 per cent from January 01, 2022 of Net Demand and Time Liabilities (NDTL) as guided by the RBI Circular and Facility to Avail Liquidity Coverage Ratio (PALLCR) up to another 15 per cent of NDTL, while the denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities and other cash outflows net of cash inflows in next 30 day period. The denominator i.e. cash outflow comprises current and savings deposits, term deposits from all counterparties, loan deposits maturing within next 30 days and other contractual outflows including of net liabilities. These cash outflow values of against cash inflows from loan repayment and other contractual inflows within next 30 days.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 1B - Notes to the financial statements
(All amounts in ₹ unless except otherwise stated)

16.11 - Net Stable Funding Ratio

Quantitative information on Net Stable Funding Ratio (NSFR) is given below:

ASFR Item (Rupee Lakhs)	Quarter ended 31 December 2022					Quarter ended 31 March 2023				
	Unweighted value by residual maturity					Unweighted value by residual maturity				
	No. maturity ¹	< 6 months	6 months to < 1 yr	1 to 2 yrs	Weighted value	No. maturity ¹	< 6 months	6 months to < 1 yr	1 to 2 yrs	Weighted value
1 Capital (202)	121,865	-	-	17,508	139,373	131,378	-	-	11,560	142,938
2 Regulatory capital	361,885	-	-	11,806	373,691	338,685	-	-	17,306	355,991
3 Other capital instruments	-	-	-	-	-	-	-	-	-	-
4 Retail deposits and deposits from small business customers (NSFR)	238,134	222,576	3,724	4,540	478,974	243,304	236,140	4,896	4,870	489,210
5 Stable deposits	28,219	-	-	-	28,903	30,853	-	-	-	31,860
6 Long-term deposits	206,735	222,576	3,724	4,540	449,871	212,451	236,140	4,896	4,870	457,350
7 Wholesale funding (NSFR)	8,163	149,308	903,880	89,125	260,286	27,622	120,081	189,568	331,738	349,211
8 Operational deposits	-	-	-	-	-	-	-	-	-	-
9 Other wholesale funding	8,163	149,308	903,880	89,125	260,286	27,622	120,081	189,568	331,738	349,211
10 Other liabilities (11+12)	38,884	-	-	-	38,884	39,290	-	-	-	39,290
11 NSFR derivatives liabilities	-	-	-	-	-	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	-	-	-	-	-	-	-	-	-
13 Total ASFR (1+4-10-11)	49,584	-	-	-	49,584	33,683	-	-	-	33,683
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	7,821	-	-	-	-	9,081
15 Deposits held at other financial institutions for operational purposes	1,143	-	-	-	371	1,718	-	-	-	888
16 Performing loans and securities (17+18+19+20)	-	288,252	187,328	381,477	521,885	-	283,978	188,352	432,015	585,247
17 Performing loans to financial institutions secured by Level 1 HQLA	-	13,782	-	-	1,389	-	2,458	-	-	758
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	25,081	4,988	3,722	9,552	-	8,924	5,298	9,822	13,175
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereign, central banks and PSAs, of which:	-	140,824	133,988	257,944	412,348	-	256,302	152,882	354,835	454,881
20 With a risk weight of less than or equal to 35% under the Basel 3 Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
21 Performing residential mortgages, of which:	-	9,058	9,360	138,811	88,888	-	18,886	18,674	127,883	118,223
22 With a risk weight of less than or equal to 35% under the Basel 3 Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-	-	-	-	-	-
24 Other assets (sum of rows 25 to 29)	42,655	11,414	-	29,254	168,493	47,825	-	-	51,827	89,652
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
26 Assets posted as collateral margin for derivatives contracts and counterparties by default funds of CCPs	-	-	-	-	-	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin received	-	-	-	-	-	-	-	-	-	-
29 All other assets not included in the above categories	42,655	11,414	-	29,254	168,493	47,825	-	-	51,827	89,652
30 Off-balance sheet items	16,193	-	-	-	16,193	16,285	-	-	-	16,285
31 Total NSFR (14+15+16-17-18-19-20-21-22-23-24-25-26-27-28-29-30)	65,777	-	-	-	65,777	33,683	-	-	-	33,683
32 Net Stable Funding Ratio (%)					121.41%					121.10%



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule '16' - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

16.15 - Net Stable Funding Ratio

Quantitative information on Net Stable Funding Ratio (NSFR) is given below: (₹ lakhs)

(Basis Points)	Quoted as at 30 June 2022					Quoted as at 30 September 2022					
	Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value	
	No maturity ¹	< 6 months	6 months to < 1 yr	≥ 1 yr		No maturity ²	< 6 months	6 months to < 1 yr	≥ 1 yr		
ASF Item											
1 Capital (2+3)	115,431	-	-	17,900	132,331	114,075	-	-	11,590	125,665	
2 Regulatory capital	115,431	-	-	17,900	132,331	114,075	-	-	11,590	125,665	
3 Other capital instruments	-	-	-	-	-	-	-	-	-	-	
4 Retail deposits and deposits from small business customers (SBC)	223,335	201,778	927	1,183	385,283	234,785	203,745	1,083	1,080	386,493	
5 Stable deposits	21,316	-	-	-	21,316	22,065	-	-	-	21,920	
6 Long tenure deposits	202,019	201,778	927	1,183	363,967	212,720	203,745	1,083	1,080	364,573	
7 Wholesale funding (2+6)	9,220	132,163	175,514	180,103	397,000	9,220	238,569	32,738	153,618	377,528	
8 Operational deposits	-	-	-	-	-	-	-	-	-	-	
9 Other wholesale funding	8,200	132,163	175,514	180,103	388,800	8,200	238,569	32,738	153,618	375,808	
10 Other liabilities (1+7+9)	27,219	-	-	-	27,219	-	-	-	-	-	
11 NSFR eligible liabilities	-	-	-	-	-	-	-	-	-	-	
12 All other liabilities and equity not included in the above categories	-	-	-	-	-	-	-	-	-	-	
13 Total ASF (1+4+7+9)	27,318	-	-	-	27,318	27,318	-	-	-	27,318	
NSF Item											
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	8,000	-	-	-	-	8,000	
15 Specific risk at other financial institutions for operational purposes	5,214	-	-	-	897	1,365	-	-	-	797	
16 Performing loans and securities (1+14-15-17-18)	-	262,127	188,373	283,137	453,643	-	218,813	308,142	303,809	474,267	
17 Performing loans to financial institutions secured by Level 1 HQLA	-	800	-	-	800	-	1,918	-	-	206	
18 Performing loans to financial institutions secured by non-Level 1 HQLA and structured performing loans to financial institutions	-	9,668	1,235	3,252	14,155	-	8,531	3,329	2,742	3,598	
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereign, central banks and HQLA, if any	-	233,759	186,398	279,785	379,798	-	209,122	303,809	301,067	469,863	
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-	
21 Performing residential mortgages, of which:	-	7,304	7,956	17,624	33,284	-	8,933	8,668	89,259	1,06,444	
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-	
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-	-	-	-	-	-	
24 Other assets (sum of rows 25 to 29)	26,835	8,273	5,486	53,309	93,903	29,275	46,634	-	53,988	89,847	
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-	
26 Assets held as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-	-	-	-	-	-	
27 NSFR eligible assets	-	-	-	-	-	-	-	-	-	-	
28 NSFR eligible liabilities before deduction of violation margin	-	-	-	-	-	-	-	-	-	-	
29 All other assets not included in the above categories	16,245	8,273	5,486	53,309	83,313	29,275	46,634	-	53,988	88,847	
30 On balance sheet items	53,211	-	-	-	53,211	10,743	-	-	-	53,211	
31 Total NSF (14+16-15-17-18-20-21-22-23-24-26-27-28-29)	-	-	-	-	53,211	-	-	-	-	53,211	
32 Net Stable Funding Ratio (%)	-	-	-	-	194.91%	-	-	-	-	194.91%	



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Fincare Small Finance Bank Limited

Schedule III - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.11 - Net Stable Funding Ratio

Quantitative Information on Net Stable Funding Ratio (NSFR) is given below (Cont'd)

BSF Item (Basis Lakhs)	Quarter ended 31 December 2021				Quarter ended 31 March 2022					
	Weighted value by residual maturity No. security ^a	< 3 months	3 months to 1 yr	1 yr to 5 yr	Weighted value	No. security ^a	< 3 months	3 months to 1 yr	1 yr to 5 yr	Weighted value
1 Capital (HNB)	114,497	-	-	17,589	131,087	120,187	-	-	17,589	137,777
2 Regulatory capital	114,497	-	-	17,589	131,087	120,187	-	-	17,589	137,777
3 Other capital instruments	-	-	-	-	-	-	-	-	-	-
4 Total eligible assets and deposits	-	-	-	-	-	-	-	-	-	-
5 Available liquidity	-	51,687	44,852	288,838	375,378	-	21,424	44,765	211,437	407,578
6 Liquid assets	-	85,987	44,852	288,838	375,378	-	21,424	44,765	211,437	407,578
7 High-quality liquid assets (HQLA)	-	115,235	92,013	191,203	308,452	-	128,328	152,064	212,201	398,594
8 Operational liquidity	-	-	-	-	-	-	-	-	-	-
9 Other eligible liquidity	-	115,335	92,011	197,215	308,552	-	129,215	152,064	212,201	398,544
10 Other liabilities (H+L)	29,868	-	-	-	-	30,483	-	-	-	-
11 NSFR eligible liabilities	-	-	-	-	-	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	30,680	-	-	-	-	30,483	-	-	-	-
13 Total BSF (1+2+3+4)	-	-	-	-	736,604	-	-	-	-	616,281
14 Total HQLA high-quality liquid assets (HQLA)	-	-	-	-	313	-	-	-	-	313
15 Deposits held at other financial institutions for operational purposes	1,269	-	-	-	687	1,341	-	-	-	523
16 Performing loans and securities (PFS) (16+17+18+19)	-	228,160	352,807	276,185	427,153	-	333,932	173,991	367,217	484,524
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	-
18 Performing loans to financial institutions issued by non-Level 1 HQLA and structured performing loans to financial institutions	-	3,733	213	3	408	-	907	480	1,280	1,497
19 Performing loans to non-financial corporates, SMEs, loans to retail and small business customers, and loans to households, central banks and public entities	-	218,728	352,381	276,182	427,153	-	333,025	173,511	365,937	483,027
20 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
21 Performing residential mortgages, of which	-	5,129	6,684	81,967	93,781	-	6,927	7,347	70,085	84,344
22 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
23 Securities that are not in default and do not qualify as HQLA including exchange-traded equities	-	-	-	-	-	-	-	-	-	-
24 Other assets (item of news 25 to 29)	42,835	6,348	-	58,871	104,354	48,816	27,433	6,472	53,763	116,792
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
26 Assets posted as collateral for derivatives contracts, and contributions to default funds of CCPs	-	-	-	-	-	-	-	-	-	-
27 NSFR eligible assets	-	-	-	-	-	-	-	-	-	-
28 NSFR eligible liabilities (before reduction of volatile margin posted)	-	-	-	-	-	-	-	-	-	-
29 All other assets not included in the above categories	42,476	5,348	-	58,471	104,283	48,141	27,433	6,472	53,303	116,292
30 Off-balance sheet items	6,420	-	-	-	671	9,484	-	-	-	589
31 Total BSF (14+15+16+17+18+19)	-	-	-	-	537,958	-	-	-	-	601,084
32 Net Stable Funding Ratio (%)	-	-	-	-	73.0%	-	-	-	-	97.4%

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system

Qualitative Disclosures around NSFR

The Net Stable Funding Ratio (NSFR) is a significant component of the Basel III core. Post Global Financial Crisis, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. BCBS introduced 'Basel III: International framework for liquidity risk measurement, standards and monitoring' in December 2010 which presented a global regulatory standard on liquidity viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for assessing and measuring liquidity profiles of the banks. Subsequently, the Reserve Bank of India introduced detailed guidelines for measuring LCR and NSFR.

The NSFR promotes resilience over a long-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. The Asset Liability Management (ALM) Policy approved by the Board covers overall governance around liquidity profile of the Bank. The Asset Liability Committee (ALCO) is a decision-making and responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and strict adherence to the risk tolerance set by the Board.

The guidelines for NSFR were effective from December 1, 2021. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. 'Available stable funding' (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ('Required Stable Funding') (RSF) of a specific institution is a function of the liquidity characteristics and national maturities of the various assets held by the bank. The minimum NSFR requirement set out in the RBI guideline is 100%. The Bank has maintained well above the RBI requirement.



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.12 - Reserves

A. Exposure to Real Estate Sector¹

Particulars	As on 31 March 2023	As on 31 March 2022
1) Direct exposure		
(a) Residential mortgages ²	127,354	41,318
PFI, PFI-SC, PFI with an on 31 March 2023 and PFI, SC, PFI with an on 31 March 2022		
(b) Commercial Real Estate ³	-	-
(c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures	-	-
(d) Residential	-	-
(e) Commercial Real Estate	-	-
(f) Indirect Exposure ⁴	-	-
Total	127,354	41,318

1. Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Indirect lending items eligible for risk-free in case transfer advances shall be shown separately. Exposure would also include non-fixed based (NFB) loans.

2. Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multi-story residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fixed based (NFB) loans.

3. Fixed based and non-fixed based exposures on National Housing Bank.

4. Loan against property (LAP) for the general business purpose other than real estate, secured against property (residential or commercial) of ₹ 1,07,887 lakhs have not been considered in real estate exposure (previous year - ₹ 1,05,952 lakhs).

B. Exposure to capital market

As at 31 March 2023 and 31 March 2022, the bank does not have any exposure to capital market.

C. Factoring exposures

As at 31 March 2023 and 31 March 2022, the bank does not have any factoring exposures.

D. Risk category wise country exposure

The bank's exposures are concentrated in India only. Hence country risk exposure as at 31 March 2023 and 31 March 2022 is 'Nil'.

E. Details of single borrower limit (SBL) / group borrower limit (GBL) exceeded by the bank

During the year ended 31 March 2023 and 31 March 2022, the bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under the stated RBI guidelines.

F. Unsecured advances

Particulars	As on 31 March 2023	As on 31 March 2022
(i) Total processed advances of the bank	486,624	524,411
(ii) Out of (i), amount of advances for which tangible securities such as charge over the rights, bonds, authority etc. have been taken	-	-
(iii) Estimated value of such intangible securities	-	-

G. Info group exposure

The bank does not have any info group advances, hence info group exposure as at 31 March 2023 and 31 March 2022 is 'Nil'.

H. Unhedged Foreign currency Exposure

The bank does not have any unhedged foreign currency exposure as at 31 March 2023 and 31 March 2022.

I. Details of loans transferred / assigned under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021

During the year ended 31 March 2023 and 31 March 2022, the bank has not transferred any non-performing assets (NPA) or transferred any Special Mention Account (SMA) and has not in default or exited any loans not in default or acquired any stressed loans or purchased non-performing financial assets from other banks or sold non-performing financial assets to other banks.

The bank has executed standard assets as per Reserve Direction - Reserve Bank of India (Distribution of Standard Assets), Directions, 2021 dated September 3, 2021 as updated from time to time. (Refer Schedule 18.22)

The bank has issued inter Bank Participation Certificates as per circular DCOB No DP/DC, 13/2018 dated December 31, 1998 as updated from time to time. (Refer Schedule 18.28)

18.13 - Directors of Penalties imposed by the RBI

No penalties have been levied on the bank by the RBI during the year ended 31 March 2023 and 2022.

18.14 - Employee benefits

A. Gratuity

The bank has a defined benefit gratuity plan, thereby employee who has completed the years or more of service is eligible for gratuity on cessation of employment and it is accounted as 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the Profit and Loss account and the funded status and amounts recognized in the balance sheet for the gratuity plan:

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
The amounts recognized in the Profit and Loss account are as follows:		
Service cost	323	447
Interest cost	155	75
Expected return on plan assets	(36)	(21)
Net actuarial gain on plan assets	(25)	(11)
Post service cost	-	-
Expense recognized in the Profit and Loss account	347	410



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ Millions except otherwise stated)

18.14 - Employee benefits (cont'd)

A. Statutory benefits

Particulars	As at 31 March 2023	As at 31 March 2022
The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	2,219	1,378
Less: Fair value of plan assets as at the end of the year	1,138	1,134
Net liability recognised in the Balance Sheet*	880	422
Changes in the present value of defined benefit obligation:		
Defined benefit obligation at the beginning of the year	1,378	1,146
Service cost	382	447
Interest cost	132	78
Actuarial gain	(96)	(87)
Benefits paid	(273)	(181)
Defined benefit obligation at the end of the year	2,219	1,378
Changes in the fair value of plan assets:		
Fair value at the beginning of the year	1,134	1,039
Expected return on plan assets	80	71
Actual contributions	281	(73)
Contributions	158	142
Employer direct benefit payments	-	-
Benefits paid	(218)	(181)
Admin expenses/expense paid from plan assets	-	-
Fair value as at the end of the year	1,138	1,134
Assumptions used in the above calculations are as under:		
Discount rate	7.33%	7.12%
Expected return on plan assets	7.22%	8.43%
Future salary increase	10.85%	10.85%
Actuarial cost	30.87%	30.87%
Retirement age (years)	60 Yrs	60 Yrs

Experience adjustments:

Particulars	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
Defined benefit obligation	2,219	1,378	1,366	671	327
Less: Plan assets	1,138	1,134	1,039	147	755
Excess/(Deficit)	880	422	547	484	192
Experience adjustments on liability - gain / (loss)	9	21	33	1	(83)
Experience adjustments on assets - gain / (loss)	(20)	(51)	(7)	(8)	1

* Does not include interest on net debt.

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the year ended 31 March 2023 amounted to ₹ 2,783 lakh (31 March 2022: ₹ 1,745 lakh).

C. Compensated absences

The actuarial liability in respect of privilege below granted to employees of the Bank and outstanding as at 31 March 2023 is ₹ 1,528 lakhs (31 March 2022: ₹ 1,275 lakhs).

Particulars	As at 31 March 2023	As at 31 March 2022
Assumptions used in the above calculations are as under:		
Discount rate	7.63%	7.12%
Future salary increase	12.06%	12.06%

18.15 - Provisions and contingencies

Provision and contingencies recognised in the Profit and Loss account comprise:

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022
Provision for Non-Performing Assets	-	-
Provision for non-performing assets (includes bad debts written off ₹ 30,108 lakhs (31 March 2022: ₹ 36,940 lakhs))	45,237	36,219
Provision made towards Income tax	-	-
- Current tax	803	2,238
- deferred tax credits (refer schedule 18.20)	1,566	(2,651)
- Provision for Tax	442	-
Provision for standard assets	804	(5,130)
Provision for intangible assets	(1,507)	13,679
Provision for other contingencies	2,115	348
	53,942	41,622



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

16.16 - Disclosure of complaints

16.16.1 - Disclosures of complaints received by the bank from customers and from the Office of Ombudsman

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Complaints received by the bank from its customers		
Number of complaints pending at beginning of the year	-	4
Number of complaints received during the year	338	338
Number of complaints disposed during the year	338	338
Of which number of complaints rejected by the bank	49	22
Number of complaints pending at the end of the year	9	4
II. Maintainable complaints received by the bank from Office of Ombudsman		
(a) Number of maintainable complaints received by the bank from Office of Ombudsman	85	187
(b) Number of complaints resolved in favour of the bank from Office of Ombudsman	30	111
(c) Number of complaints resolved through conciliator/mediator/activities issued by Office of Ombudsman	85	8
(d) Number of complaints resolved after passing of awards by Office of Ombudsman against the bank	-	-

The Bank has compiled the data for the purpose of this disclosure from its Internal AML System.

III. Number of awards/compromises/offer of awards the bank has taken from its customers.
Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered under the ambit of the Scheme.

16.16.2 - Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e., complaint relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of it, number of complaints pending beyond 30 days
Year ended 31 March 2023					
I. ATM/Cash cards	-	30	(85%)	-	-
II. Issued advances	1	85	46%	3	1
III. Interest/Mobile/Electronic banking	1	25	(39%)	-	-
IV. Levy of charges without prior notice/cessation charges/penetration charges	-	24	(85%)	1	-
V. Staff behaviour	1	1	(100%)	-	-
VI. Others	1	201	(37%)	3	1
Total	4	325		9	2
Year ended 31 March 2022					
I. ATM/Cash cards	-	44	(89%)	-	-
II. Issued advances	2	44	(99%)	1	-
III. Interest/Mobile/Electronic banking	-	41	(37%)	1	-
IV. Levy of charges without prior notice/cessation charges/penetration charges	1	13	(98%)	-	-
V. Staff behaviour	-	8	(100%)	1	-
VI. Others	3	147	(49%)	1	-
Total	6	257		4	-

16.17 - Letter of comfort

The Bank has not issued letter of comfort during the year ended 31 March 2023 and 31 March 2022.

16.18 - Reinsurance Business

The fees or commission earned in respect of reinsurance (subscribing business).

Particulars	As at 31 March 2023	As at 31 March 2022
Income from selling life insurance policies	1,121	1,207
Income from selling non-life insurance policies	567	78
Income from selling mutual fund product	-	-



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Annexure 10 - Notes to the financial statements
(All amounts in ₹ Lakhs, except otherwise stated)

18.18 - Off-Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)
There were off-balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms as on 31 March 2023 and 31 March 2022.

18.20 - Disclosure on Remuneration

A) Qualitative Disclosures

(i) Information relating to the composition and mandate of the Remuneration Committee:
The Nominations and Remuneration Committee (NRC) of the Board is the main body that sets the principles, parameters and governance framework of the remuneration policy and also assists the Board to fulfil its responsibility that remuneration policy and practices, reward, fairly and responsibly, in relation to the Bank and individual performance.

As on 31 March 2023, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approval remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Internal Risk Takers (IRT) of the Bank.

External consultants whose advice has been sought, the basis by which they were commissioned, and in what areas of the remuneration process
The Bank did not take any advice from an external consultant on any area of remuneration for the year ended 31 March 2023.

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

Pursuant to the guidelines issued by RBI, the Compensation Policy of the Bank (Version 3) was approved by the Board on 3rd September 2021 and the same covers all employees of the Bank.

Type of employees covered and number of such employees

All permanent employees of the Bank, categorized into Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as at 31 March 2023 (Payroll roll out staff) was 14,670.

(ii) Information relating to the design and structure of remuneration processes:

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive productivity and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2013/03/08 DCR/Agri/RC No.24/2013 dt.08/09/13 dated 04 November 2013 (the RBI guidelines).

The Remuneration policy of the Bank is designed with a view to:

1. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and being clearly motivated enough to meet the organizational objectives.

2. ensure that a reasonable balance is maintained in terms of composition of remuneration, both:

a. performance-linked - fixed and variable components

b. time horizon-linked - immediate and long term retention components

3. ensure that remuneration is linked to results of role played by the individual in the Bank (i.e., Chief Executive Officer, MRT, Control function staff or Others)

4. effective governance of compensation: The NRC has oversight over compensation in KMP as well as MRT.

The Remuneration policy of the bank is designed with a view to:

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has designed the remuneration composition based on role of the individual in the bank.
-For Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used
-For Control function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

Also, the remuneration of financial and risk control function is not linked to business outcomes and safety depends on their individual/department quality and performance goal achievement. The Bank seeks to align remuneration with financial and non-financial performance indicators.

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: The updated remuneration of the bank (Version 3) was approved by Board of the Bank in September 2021.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the business they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual/department performance and is not linked to any business outcomes.

(ii) Description of the ways in which current and future risks are taken into account in the remuneration processes: It should include the nature and type of the key business used to take account of these risks.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank considers all its business activities within this framework. The NRC while assessing the performance of the Bank Chief Executive Officer and MRT, considers adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risks difficult to measure: The evaluation process incorporates both qualitative and quantitative aspects including asset quality, provisioning, business is stable funding systems, refinements/coverages of the risk management framework, effective management of stakeholder relationship and verifiability of key members of senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, in addition to business performance, the NRC takes into account adherence to the risk and compliance framework.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: With the adoption of new compensation policy in line with RBI guidelines, there is greater emphasis on linking variable pay of MRT to risk taking and to bring a reasonable balance in their fixed and variable pay. Also, the elements of Deferral, Malus and Clawback have been added for MRT.



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18.26 - Disclosure on Remuneration (Cont'd)

(i) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

Overview of main performance metrics for the Bank, top-level business lines and individuals: The main performance metrics include sustainable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital impact and customer-centricity.

Description of how aspects of individual remuneration are linked to the Bankwide and individual performance: The assessment of employees is based on competencies etc. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for MRT is Bank goals - 20%, Functional goals- 40%, Competency Rating - 20% and Subjective Assessment - 20%.

(ii) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

As per policy, A minimum of 50% of Total Variable Pay shall be under deferral arrangement. At least 50% of the Cash component of Variable Pay shall be under deferral. Also, in case Cash Variable Pay for a performance period is below ₹ 25 lakhs, deferral may not be applicable. The NRC shall take a decision as to the extent of the deferral as an internal call. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 100% of deferred component and shall vest at the end of each year for the next three years. Vesting shall also place on a pro-rata basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to FY-22, paid in FY23, 100% of non-cash variable pay and 50% of cash pay was under deferral.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining weak performance metrics: The variable compensation paid to Chief Executive Officer and MRT is linked to achievement of Bank level goals and functional goals. As per policy, the determination in financial performance of the Bank shall lead to continuation in variable pay, which can even be reduced to zero. While determination on account of unsustainable factors may not necessarily be considered for continuation in variable compensation, the NRC may take a decision on the period of continuation based on available information. Further deferred vesting, make and clawback shall be applicable to variable pay component of Chief Executive Officer and MRT in certain adjusting circumstances in the event that performance metrics are weak.

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance: Adjustments to remuneration on account of long term performance is included in the Variable Pay philosophy. Variable Pay shall have a mix of cash and non-cash components for Chief Executive Officer and MRT. For other employees, eligibility for non-cash variable pay shall be determined by the NRC on a case to case basis. The non-cash component shall be in the form of Stock Options. As per policy, in general, 40% of non-cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: As part of the new compensation policy, make and clawback is applicable to all categories of staff. The variable shall be subject to make and clawback arrangements in the event of reduced or negative financial performance. Make shall cover future vesting only and shall not involve vesting after it has already occurred. In the event of make and clawback re-optimization or restructuring of financial performance of the Bank in any year, clawback shall be applicable. The decision shall be taken by the NRC after taking into account of material facts. A clawback period of 3 years from the date of vesting shall be applicable to the clawback clause.

(3) Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms:

Overview of the forms of variable remuneration offered: A discussion of the uses of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:

The forms of variable remuneration used by the Bank are:

- a Performance Incentives - used for rewarding leaders (primarily Business functions) for business growth, customer satisfaction, asset quality, audit score etc.
- b Performance Pay - used for rewarding performance against quarterly/annual goals.
- c Share-linked Instruments - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non-cash components for Chief Executive Officer and MRT. For other employees, eligibility for non-cash variable pay shall be determined by the NRC on a case to case basis. The non-cash component shall be in the form of Stock Options.
- d Long Term Incentive Plan (LTIP) - a long term incentive plan designed to attract, retain and motivate key employees. While stock-based incentive plan continues to be in use, LTIP is discontinued w.e.f. 01 March 2023.



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18.20 – Disclosure on Remuneration (cont'd)

B) Quantitative Disclosures (covers only Chief Executive Officer/ Material Risk Takers)

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
a) i) Number of meetings held by the Remuneration Committee during the year	Twelve	Twelve
ii) remuneration paid to its members,	Nil	Nil
b) Number of employees having received a variable remuneration award during the year. ¹	19 employees received Performance pay and 18 employees were granted employee stock options.	17 employees received Performance pay and 16 employees were granted employee stock options.
c) Number and total amount of sign on awards made during the financial year	Nil	Nil
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
e) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
f) Total amount of outstanding deferred remuneration		
- Cash (₹ in lakhs)	Nil	Nil
- Shares	Nil	Nil
- Share linked instruments (SLOs) (Nil)	23,64,176 equity	15,05,116 equity shares
- Others	Nil	Nil
g) Total amount of deferred remuneration paid out during the year ²	Nil	Nil
h) Breakdown of amount of remuneration awards for the year in share based and variable, deferred and non deferred.		
- Fixed pay	1,680	1,550
- Variable pay		
- Non-deferred (₹ in lakhs)	500	261
- Deferred (SLOs)	500	261
- Deferred (SLOs) (Nil)	12,15,100 equity shares	15,05,116 equity shares
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to account impact and / or input adjustments.	Nil	Nil
j) Total amount of reductions during the financial year due to exit post-employment adjustments	Nil	Nil
k) Total amount of reductions during the financial year due to or post-employment adjustments.	Nil	Nil
l) Number of MRTs identified	16	17
m) Number of cases where malus has been exercised	Nil	Nil
n) Number of cases where clawback has been exercised	Nil	Nil
o) Number of cases where both malus and clawback have been exercised	Nil	Nil
p) The remuneration pay for the bank as a whole (including sub-start)	3,45	3,25
q) Dividend/Paid up of the pay of Managing Director for the financial year (₹ in lakhs/Nil)	30,000	20,000

C) Disclosure on remuneration to Non-Executive Directors

The bank has paid remuneration to its Non-Executive Director by way of sitting fees for attending meetings of the Board and its committees. An amount of ₹ 112 lakhs (31 March 2022: ₹ 143 lakhs) was paid as sitting fees to the Non-Executive Directors during the year.

Notes

1. During the year, MRT other than MD & CEO were granted employee stock options and also one MRT resigned in the month of Feb 2023.
2. The Deferred payment paid during the year pertains to the deferred amount for the Financial year 2021.
3. Nilam is computed as CTC for Advt H/C excluding MD & CEO as on 31-Mar-23 (Active H/C as on period ended March 31, 2023).
4. Computed as Fixed Pay for MD & CEO / Mean pay as computed above. There are no whole time directors in the bank. Hence, the requirement to give details as referred in Division/ Ratio of the pay is not applicable.

18.21 – Employee Share Based Payments:

At their meeting held on 29 March 2019 and 10 May 2019, the Board and the shareholders of the bank respectively passed a resolution approving the "Fincare Small Finance Bank Stock Option Scheme" (as amended from time to time) (hereinafter referred as "the scheme") to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director of the Bank, such number of employee options, not exceeding 1,300,000 that would eventually convert into equity shares of ₹ 10 each in the hands of the employee of the Bank.

The eligible employees under this scheme are determined by the MRC at its sole discretion. The MRC would determine the vesting schedule of any grant made under this scheme and the same would be informed to the eligible employees at the time of the grant. An eligible employee shall be entitled to exercise the vested options and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price intimated at the time of the grant.



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18.21 - Employee Share Based Payments (Cont'd)

ESOP-2018-2020 Plan:

a) The details of activity under ESOP-2018-2020 Plan have been summarized below:

	Year ended 31 March 2023		Year ended 31 March 2022	
	No. of options	Weighted average exercise price (₹)	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year*	1,698,898	92.71	351,491	89.62
Granted during the year	1,212,103	110.88	1,306,743	125.94
Forfeited during the year	117,520	92.28	70,500	105.81
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	2,094,178	105.71	1,865,038	102.71
Out of the above convertible at the end of the year	873,211	88.68	358,278	88.08

* The increase in ESOP outstanding as on April 01, 2021 was on account of issue of bonus shares by the Bank to its shareholders in the ratio of 2:1.

b) The details of exercise price for stock options outstanding as at year ended March 31, 2023:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)**	Weighted average exercise price (₹)
88-93	141,566	1.50	88.33
88-100	422,186	2.17	89.29
100-110	1,146,400	2.80	105.81
110-120	1,184,026	3.48	110.80
	2,894,178		105.71

The details of exercise price for stock options exercising as at previous year ended March 31, 2022:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)**	Weighted average exercise price (₹)
88-93	141,566	2.58	88.33
88-100	421,186	2.77	89.29
100-110	1,722,086	3.22	106.91
	1,884,838		102.71

** The Management has made assumptions regarding the exercise date to compute weighted average remaining contractual life of the options which has been related upon by the auditor.

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes option pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Year ended 31 March 2023	Year ended 31 March 2022
Weighted average exercise price (₹)	110.59	102.07
Weighted average share price (₹)	110.59	102.07
Expected volatility	49.34%-41.85%	43.34% - 43.49%
Life of the options granted (including wait service period)	-	-
- At the grant date	8.00 yrs - 8.50 yrs	9.50 yrs - 8.00 yrs
Risk free interest rate	5.01%-4.79%	5.22%-4.07%
Expected Dividend rate	0.00%	0.00%

All Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of share price using stock price volatility estimation of 20th years from BSE for the latest historical period as per time to maturity.

Note - Market prices are as per the reference reported dated - June 2022

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

Particulars	31 March 2023	31 March 2022
Total employee compensation cost pertaining to share-based payment plans	810	558
Compensation cost pertaining to equity-settled employee share-based payment plan included above	810	558
Liability for employee stock options outstanding as at year end	1,450	928

18.22 - Collateral held for securitisation

Particulars	As at 31 March 2023	As at 31 March 2022
a) No. of FPEs holding assets for securitisation	11	9
b) Total amount of securitised assets as per books of the SPVs	58,464	5,712
c) Total amount of exposures related by the bank to comply with NPA as on the date of balance sheet		
i) Off-balance sheet exposures		
First loss	-	-
Others	-	-
ii) On-balance sheet exposures		
First loss	3,542	-
Others	3,860	307
d) Amount of exposures in securitisation transactions other than BSA		
i) Off-balance sheet exposures		
a) Exposures to third party securitisation		
First loss	-	-
Others	-	-
b) Exposures to first party securitisation		
First loss	-	-
Others	-	-
ii) On-balance sheet exposures		
a) Exposures to one-party securitisation		
First loss	-	-
Others	-	-
b) Exposures to first party securitisation		
First loss	-	-
Others	-	-



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18.12 - Disclosures relating to securitisation (Cont'd)

Particulars	As at 31 March 2023	As on 31 March 2022
a) Sale consideration received for the securitised assets and gains/loss on sale on account of securitisation	22,922	-
b) Fair value premium (unrealised value) of securities provided by way of liquidity support/loan securitisation asset banking, etc.	-	-
c) Performance of facility provided:		
- Amount paid	-	-
- Payment received	-	-
- Outstanding amount	-	-
d) Average default rate of portfolio observed in the past	-	-
e) Amount and number of additional top-up tranches given on same underlying asset	-	-
f) Investor complaints		
(i) Directly/indirectly received and;	-	-
(ii) Complaints outstanding	-	-

18.23 - Depositor Education and Awareness Fund

During the year ended 31 March 2023 and 31 March 2022 no amount has been transferred to Depositor Education and Awareness Fund.

18.24 - Deferred tax assets

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred tax asset arising on:		
Depreciation and amortisation	795	588
Provision for employee benefits		
Compensated absences	380	301
Debt	210	196
Long Term Reserve (Secu. J. 178)	5	27
Others	1,843	103
Deferred cost	3	4
Provision on portfolio loans	5,577	8,061
	<u>7,894</u>	<u>8,980</u>

18.25 - Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account. Head office, regional office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause, however some of the branch lease agreements contain non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no sub-leases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the Profit and Loss Account.

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Lease payments recognised in the profit and loss account	4,565	3,477

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Particulars	As at 31 March 2023	As at 31 March 2022
Payments falling due:		
Within one year	188	247
Later than one year but not later than five years	152	257
Later than five years	-	76

18.26 - Micro small and medium enterprises

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
i) Principal amount remaining unpaid	46	8
ii) Interest due thereon remaining unpaid	-	-
iii) Interest paid by the Bank in terms of Section 18 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the lender beyond the specified day during the year	-	-
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the specified day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
v) Interest accrued and remaining unpaid	-	-
vi) Interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-



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16.17 - Earnings per equity share

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
No. paid attributable to equity shareholders	18,264	887
Weighted average number of shares outstanding during the year used for computing basic earnings per share (BPS)	202,179,731	219,552,589
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (DEPS)	229,276,377	219,552,589
Basic earnings per share	-4.68	0.36
Diluted earnings per share	-4.68	0.36

16.18 - Inter-Bank Participation Certificate (IBPC) transactions

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
1) Aggregate value of IBPC transaction during the year ¹	75,000	48,400
2) Aggregate consideration received	75,000	48,400
3) Aggregate gain/losses ²	-	-
4) IBPCs outstanding	85,000	26,000

¹ Aggregate value of the assets on the pool identified for IBPC transaction ₹ 107,280 lakhs (2022: ₹ 123,820 lakhs).

16.19 - Corporate social responsibility (CSR)

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
(a) Gross amount required to be spent	237	238
(b) Gross amount required to be spent as approved by the board	237	238
(c) Amount spent during the year	-	-
(i) Contribution/ expenditure for any asset	-	-
(ii) any other projects	239	239
Total	239	239
(d) Short fall at the year end	-	-
(e) per share year short fall	NA	NA
(f) reason for short fall	NA	NA

Details of Activities: - (i) Financial & Digital Literacy Camp (ii) Covid Relief Camp (iii) Promoting Water Conservation and Tree Plantation (iv) Health check camp and (v) COVID-19 pandemic support.

16.20 - Payment of SBCGS Insurance Premiums

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Payment of SBCGS Insurance Premium	493	503
Availed in payment of SBCGS premium	-	-

16.21 - Priority Sector Lending Certificate (PSLC) Purchased and Sold during the Year

During the year ended 31 March 2023, the Bank sold PSLCs amounting to ₹ 2,16,098 lakhs (2022: ₹ 2,86,090 lakhs) under Small and Marginal finance category. The income earned on the PSLCs sold during the year is ₹ 3,361 lakhs (2022: ₹ 5,349 lakhs).
During the year ended 31 March 2023, the Bank bought PSLCs amounting to ₹ 12,080 lakhs (2022: ₹ 58,060 lakhs) under Micro enterprise category. The expense incurred on the PSLCs bought during the year is ₹ 72 lakhs (2022: ₹ 652 lakhs).

16.22 - Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 18, 2015. Further, a Press Release was issued by the MCA on January 18, 2019 outlining the roadmap for implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) for banks. As per earlier instructions, banks in India were required to comply with the Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with corporations for the period ending March 31, 2018 or thereafter. Priorising towards Ind AS, the Bank had prepared pro forma financials on June 25, 2017 as per stated regulatory guidelines and submitted the same to the RBI. On April 05, 2019, the RBI had announced deferral of implementation date by one year with Ind AS being applicable to banks for accounting periods beginning April 01, 2019 onwards. In preparation for the same, the Bank has been submitting quarterly performance financials to the RBI from quarter ended June 30, 2018. On March 31, 2019, the RBI has announced deferral of the implementation of Ind AS by banks till further notice however, the Bank continues to submit to the RBI pro-forma financials on half year basis.

16.23 - Marketing and distribution

The Bank has received fine of ₹ 16 (31 March 2022: ₹ 38 lakhs) with respect to marketing and distribution function (packaging for insurance business) during the financial year ended 31 March 2023.

16.24 - Amortisation of expenditure on account of subsistence in family pension of employees

During the year ended 31 March 2023 and 31 March 2022, the Bank has not done any expenditure towards enhancement of family pension of employees.



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18.26 - Funding transactions

To the best of our knowledge and belief, the Bank, as part of its authorized normal business, grants loans and advances, makes investments, to and accepts deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's authorized normal business, which is mentioned elsewhere to regulatory requirements.

Other than the transactions described above

(a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or for any other persons (or entities), including foreign entities ("intermediaries") with the understanding, whether recorded in writing or otherwise, that the intermediary shall lend or invest in or for persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) The Bank has not received any funds from any persons or entities ("Funding Party") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether directly or indirectly, lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.26 - Details of Large Exposures Framework limits exceeded by the Bank

As per regulatory guidelines, with effect from April 1, 2019 in case of single counterparty, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20 percent of the bank's available eligible capital base at all times. In exceptional cases, Board of bank may allow an additional 3 percent exposure of the bank's available eligible capital base. In case of group of connected counterparties, the sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 25 percent of the bank's available eligible capital base at all times.

The eligible capital base for this purpose is the effective amount of Tier 1 capital fulfilling the criteria defined in Master Circular on Basel II - Capital Requirement Master Direction on 'Basel III Capital Requirements' as per the last audited balance sheet.

During the years ended March 31, 2023 and March 31, 2022, the Bank has not exceeded the potential exposure limits set out above by the RBI guidelines under Large Exposure Framework.

18.27 - Backs of accounts

As per the MCA notification dated 08 August 2022 Government has notified the Companies (Accounts) Fourth Amendment Rules, 2022. As per the amended rules back up of the books of accounts/other books & papers maintained in electronic mode, including a paper accessible back, shall be kept in secure physically located in India on a daily basis.

The Bank's servers are physically located in India and back up is done on a daily basis. Thus the Bank is compliant with the requirements of the above notification. The above notification is not applicable for financial year ended 31 March 2022.

18.28 - Maintenance of Audit trail

The MCA vide its notification dated 24 March, 2021 had introduced the concept of audit trails by inserting proviso to rule 3(1) of the Companies (Accounts) Rules, 2014. It was provided that for the P.F. commencing on or after 1st April, 2021, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, sending an alert log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled. However, the applicability was deferred by 1 year by amending the proviso vide Companies (Accounts) Second Amendment Rules, 2021. The new date of applicability was 1 April, 2022. The again, the MCA has amended the proviso vide Companies (Accounts) Second Amendment Rules, 2022 and has deferred the applicability by 1 more year. Hence the provision of audit trails now applicable w.e.f. 1 April, 2023.

The Bank uses various software as its accounting software and the management has taken steps to be compliant with requirements of Audit trail functionality from 1 April 2023.



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ unless specified otherwise stated)

18.18 Previous year's figures have been regrouped / reclassified, wherever considered necessary, in order to make them comparable with figures for the current year.
These are the notes appended to and forming part of the financial statements for the year ended March 31, 2023.

As per the report of my firm:

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101240001200004

Sarvesh Warty.

Jai Sarvesh Warty
Partner
Membership No: 124111

Bengaluru
April 24, 2023



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

Rajesh Prasad
Rajesh Prasad
MD and CEO
DIN: 00111379

Bengaluru
April 24, 2023

Manoj Kulkarni
Manoj Kulkarni
Director
DIN: 001157583

Mumbai
April 24, 2023

Manoj Kulkarni
Manoj Kulkarni
Company Secretary
M No. F7188

Bengaluru
April 24, 2023

Prasad Kataria

Prasad Kataria
Director
DIN: 02624103

Mumbai
April 24, 2023

Manoj Kulkarni
Manoj Kulkarni
Chief Financial Officer

Bengaluru
April 24, 2023



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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel: +91 22 6819 8000

INDEPENDENT AUDITOR'S REPORT

To the Members of Fincare Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fincare Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31 2022, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") and circulars and guidelines issued by Reserve Bank of India (RBI) in the manner so required by banking companies and give a true and fair view in conformity with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, its profit after tax and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to note 2.1(ii) of Schedule 17 to the financial statements, which describes the extent to which Covid-19 pandemic that continues to impact the Bank's operations and its financial metrics including provisions which are dependent on uncertain future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

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Chartered Accountants

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Identification of Non-performing advances and provisioning of advances: [refer note 2.4 of Schedule 17 and note 18.4 and 18.15 to the financial statements]	
<p>Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. As at 31 March 2022, the Gross Advances of the Bank was Rs. 7359.76 crores, Gross NPA of the Bank was Rs 573.23 crores and Gross NPA ratio of the Bank was 7.79%.</p> <p>The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification and provisioning pertaining to advances dated October 1, 2021("IRAC") prescribes the prudential norms for identification and classification of NPAs and the minimum provision required for such assets including restructuring. Also, Resolution Framework for Covid-19 related Stress dated August 6, 2020 ("Covid 1.0 framework") and Resolution Framework-2.0: Resolution of Covid-19 related stress of individuals and Small Business ("Covid 2.0 framework") prescribes the prudential norms for identification and provisioning of restructured cases due to Covid-19.</p> <p>-</p> <p>Given the volume and variety of loans, judgement is involved in the application of RBI Regulations for classification of loans as NPA. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter</p>	<p>Our audit procedures included, among others the following:</p> <ul style="list-style-type: none"> • Considered the Bank's policies for NPA identification and provisioning in assessing compliance with the IRAC, COVID 1.0 framework and COVID 2.0 framework (collectively, "RBI Regulations") • Obtained an understanding and performed walk through of key processes controls around identification of NPAs, classification and provisioning • Evaluated the design and operating effectiveness of key controls (including application controls) around identification of NPAs, classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to RBI Regulations. • Performed account statement reviews on sample basis for account slippages and upgrades and identified customer accounts availing more than one loan from the Bank and test checked that all loans availed by a delinquent customer are classified appropriately. • Performed analytical procedures on various financial and non-financial parameters to test the completeness of accounts identified as NPA • Performed test of details to test on provisioning rates applied for respective asset classes in lines with the Bank's policies • Tested the arithmetical accuracy of computation of provision for advances. • Assessed disclosures included in the financial statements in respect of asset classifications and provisioning, including specific disclosures made with regard to impact of COVID-19 pandemic and related RBI Regulations • Tested on a sample basis that the restructuring of loans done during the year under the resolution framework was approved and implemented and provisions made on such restructured loans in accordance with the

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Chartered Accountants

	<p>Bank's Board approved policy and the Resolution Framework</p> <ul style="list-style-type: none"> Obtained the management analysis for the additional provision created during the year owing to the potential impact of COVID-19 and evaluated the management estimates and assumptions used considering our understanding of the risk profiles of the customer of the Bank.
<p>Information Technology ("IT") Systems and Controls</p>	
<p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes made to applications are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment across applications, networks, databases and operating systems as these are key to ensuring IT dependent and application-based controls are operating effectively.</p> <p>Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> For testing the IT general controls, application controls and IT dependent manual controls relevant for financial reporting, we included IT specialists as part of the audit team. The IT specialists also assisted in testing of the information produced by the Bank's IT systems. Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. Tested other IT general controls (changes management and aspects of IT operational controls). Inspected requests of changes to systems for appropriate approval and authorization. Further, considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. Tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. Instances where deficiencies were identified, tested compensating controls or performed alternate procedures.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report including the Pillar III Disclosure under the New Capital Adequacy Framework (Basel II disclosures) but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Chartered Accountants

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the applicable accounting standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by RBI from time to time ("RBI Guidelines") and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of the Bank for the year ended March 31, 2021, included in these financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on June 14, 2021.

Report on Other Legal and Regulatory Requirements

1. The Balance sheet, the Profit and Loss Account and the Cash flow Statement for the year ended March 31, 2022, have been drawn up in accordance with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Companies (Accounts) Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ("RBI Guidelines") and other accounting principles generally accepted in India
2. As required by sub section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:

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Chartered Accountants

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by its branches; we have visited 39 branches for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Accounting Standards) Rules, 2006 (as amended), to the extent they are not inconsistent with the guidelines prescribed by RBI;
 - (e) In our opinion, there are no material financial transactions or matters that have an adverse effect on the functioning of the Bank;
 - (f) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (g) With respect to the adequacy of the internal financial controls with reference to financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
 - (h) In our opinion, the entity being a banking company, the remuneration to the managing director during the year ended March 31, 2022 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and
 - (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank does not have any pending litigations which would impact its financial position as at March 31, 2022;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2022;

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
- iv. a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 18.35 to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the note 18.35 to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v. No dividend has been declared or paid during the year by the Bank.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

UDIN: 22121411AJQGCG7244

Place of Signature: Mumbai
Date: May 26, 2022

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ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FINCARE SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Fincare Small Finance Bank Limited ("the Bank") as of March 31, 2022 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to these financial statements.

Meaning of Internal Financial Controls With Reference to these Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

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S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

UDIN: 22121411AJQGCG7244

Place of Signature: Mumbai
Date: May 26, 2022

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Balance Sheet as on 31 March 2022

(All amounts in ₹ lakhs except otherwise stated)

	Schedule	As on 31 March 2022	As on 31 March 2021
Capital and liabilities			
Capital	1	22,078	6,361
Employee stock options outstanding		638	100
Reserves and surplus	2	97,470	95,330
Deposits	3	645,568	531,650
Borrowings	4	294,354	140,043
Other liabilities and provisions	5	30,482	23,100
Total		1,096,589	796,767
Assets			
Cash and balances with Reserve Bank of India	6	111,679	100,650
Balances with banks and money at call and short notice	7	11,917	11,913
Investments	8	215,183	127,936
Advances	9	703,637	530,112
Fixed assets	10	4,234	3,619
Other assets	11	43,960	19,557
Total		1,096,589	796,767
Contingent liabilities	12	-	307
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		

Schedules referred above form an integral part of the Balance Sheet

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049WED300004

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
May 26, 2022

Rajeev Yadav
MD and CEO
DIN: 00111379

Bengaluru
May 26, 2022

Pranod Kabra
Director
DIN: 02252403

Mumbai
May 26, 2022

Viney Bajjal
Director
DIN: 07516339

Mumbai
May 26, 2022

Kayur Doelji
Chief Financial Officer

Bengaluru
May 26, 2022

Shelley Kohari
Company Secretary
M No. F7558

Bengaluru
May 26, 2022

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Fincare Small Finance Bank Limited

Profit and Loss Account for the year ended 31 March 2022

(All amounts in ₹ lakhs except otherwise stated)

	Schedule	Year ended	
		31 March 2022	31 March 2021
I. Income			
Interest earned	13	144,587	125,103
Other income	14	20,178	12,966
Total		164,765	137,071
II. Expenditure			
Interest expended	15	55,978	55,005
Operating expenses	16	54,680	46,327
Provision and contingencies (refer note 18.10)		42,220	25,025
Total		152,878	126,357
III. Profit/(Loss)			
Net profit/(Loss) for the year		887	11,314
Profit/(Loss) brought forward		18,108	9,707
Total		18,995	21,021
IV. Appropriation			
Transfer to statutory reserves		222	2,029
Transfer to other reserves		1,254	84
Transfer to Government/proposed dividend		-	-
Balance carried over to the balance sheet		17,519	18,108
Total		18,995	21,021
Significant accounting policies and notes to accounts	17 & 18		
Earnings per equity share of ₹ 10 each (refer note 18.27)			
Basic (₹)		0.38	5.55
Diluted (₹)		0.38	5.55
Face value per share (₹)		10.00	10.00

Schedules referred above form an integral part of the Profit and Loss Account

As per counterpart of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101040WED300004

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
May 28, 2022

Rajeev Yadav
MD and CEO
DIN: 00111279

Bengaluru
May 28, 2022

Pranod Kabra
Director
DIN: 02252403

Mumbai
May 28, 2022

Vinay Bajaj
Director
DIN: 07516339

Mumbai
May 28, 2022

Keyur Doshi
Chief Financial Officer

Bengaluru
May 28, 2022

Shelley Kohari
Company Secretary
M No. 77898

Bengaluru
May 28, 2022

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Pincare Small Finance Bank Limited

Cash Flow Statement for the year ended 31 March 2022
(All amounts in ₹ Lakhs except otherwise stated)

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
A. Cash flows from operating activities:		
Net Profit before tax:	575	54,842
Adjustments for:		
Depreciation and amortisation expenses	2,612	1,701
Employee Stock Option Compensation	536	100
Absorption of premium on SLR investments in HTM category	1,032	865
(Profit)/Loss on disposal of fixed assets	3	(1)
Loan portfolio written off	36,951	3,369
Provision for Advances	6,002	16,572
Provision for other contingencies	22	(267)
Provision for investments	561	(5)
(Profit) on sale of investment in SLR securities	(542)	(122)
Loss on sale of investment in SLR securities	294	59
(Profit) on sale of investment in mutual funds	(18)	(26)
Operating profit before working capital changes	47,421	34,766
Adjustments for:		
Increase in deposits	113,706	68,457
Increase/(decrease) in other liabilities	13,196	4,060
(Increase) in investments (net)	(89,564)	(27,967)
(Increase) in advances	(223,286)	(89,968)
(Increase)/decrease in fixed deposits	(3,752)	(516)
(Increase) in other assets	(25,156)	(21)
Cash Flows from/(used in) operating activities	(189,432)	59,912
Refund/(Payment) of direct taxes/(including Tax Deducted at Source)	(3,954)	(5,126)
Net cash flows from/(used in) operating activities	(193,386)	4,786
B. Cash flows from / (used in) investing activities:		
Purchase of fixed assets	(2,836)	(1,292)
Proceeds from sale of fixed assets	7	8
Purchase of investments in mutual funds	(5,000)	(19,000)
Proceeds from sale of investments in mutual funds	5,019	16,029
Proceeds from term money lending	(1,836)	(3,266)
Net cash flows from/(used in) investing activities	(6,246)	(15,223)
C. Cash flows from / (used in) financing activities:		
Proceeds from issue of equity shares	16,971	-
Proceeds from borrowing under the LAF segment	54,000	-
Proceeds from loans availed from banks and financial institutions	125,804	47,800
Repayment of loans availed from banks and financial institutions	(25,462)	(29,072)
Repayment of borrowing under the LAF segment	-	16,752
Net cash flows from/(used in) financing activities	171,313	3,227
Net increase in cash and cash equivalents during the half year ended (A+B+C)	2,943	3,789
Cash and cash equivalents at the beginning of the period	116,294	167,538
Cash and cash equivalents at the end of the period*	119,237	171,327

* Includes cash and bank balances with Reserve Bank of India and balances with Banks in current account as on 31 March 2022 and 31 March 2021.

For S.R. Badholi & Associates LLP
Chartered Accountants
Firm Registration No.: 101049WAT300304

per Sanjesh Warty
Partner
Membership No.: 121411

Mumbai
May 26, 2022

For and on behalf of the Board of Directors of
Pincare Small Finance Bank Limited

Rajeev Yadav
MD and CEO
DIN: 00111379

Bangalore
May 26, 2022

Prasad Kabra
Director
DIN: 02252403

Mumbai
May 26, 2022

Vinay Bajaj
Director
DIN: 03516258

Mumbai
May 26, 2022

Kajjar Doshi
Chief Financial Officer

Bangalore
May 26, 2022

Shehly Kohli
Company Secretary
M No. 77690

Bangalore
May 26, 2022

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2022

(All amounts in ₹ lakhs except otherwise stated)

Schedule 1 - Capital	As on 31 March 2022	As on 31 March 2021
Authorized capital 300,000,000 (31 March 2021: 300,000,000) equity shares of ₹ 10 each	30,000	30,000
Issued, subscribed and fully paid-up capital 220,779,720 (31 March 2021: 63,610,481) equity shares of ₹ 10 each	22,078	6,361
Total Capital	22,078	6,361

Notes

1 Rights and preference of equity shareholders

Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the Bank, the holders of equity shares will be entitled to receive the remaining assets of the Bank, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Schedule 2 - Reserves and surplus	As on 31 March 2022	As on 31 March 2021
I. Statutory reserve (Created pursuant to Section 17(2) of Banking Regulation Act, 1949)		
Opening balance	9,416	6,587
Additions during the year	222	2,829
Deductions during the year	-	-
	9,638	9,416
II. Share premium		
Opening balance	66,977	66,977
Additions during the year	15,972	-
Deductions during the year	(14,719)	-
	68,230	66,977
III. General reserves		
Opening balance	1	1
Additions during the year	-	-
Deductions during the year	-	-
	1	1
IV. Investment fluctuation reserve		
Opening balance	826	744
Additions during the year	1,254	84
Deductions during the year	-	-
	2,082	828
V. Balance in profit and loss account	17,519	18,106
Total (I,II,III,IV and V)	97,470	95,330

Schedule 3 - Deposits	As on 31 March 2022	As on 31 March 2021
A. I. Demand deposits		
i) From banks	627	1,035
ii) From others	5,739	4,566
	6,366	5,603
II. Savings bank deposits	224,949	120,756
III. Term deposits		
i) From banks	173,120	149,085
ii) From others	238,123	256,407
	411,243	405,492
Total (II and III)	645,558	531,850
B. I. Deposits of branches in India	645,558	531,850
II. Deposits of branches outside India	-	-
Total	645,558	531,850

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2022

(All amounts in ₹ lakhs except otherwise stated)

Schedule 4 - Borrowings	As on	As on
	31 March 2022	31 March 2021
I. Borrowings in India		
i) Reserve Bank of India*	59,600	5,600
ii) Other banks	10,000	-
iii) Other institutions and agencies	-	-
a) Government of India	-	-
b) Financial Institutions*	204,754	114,443
iv) Borrowings in the form of bonds and debentures (excluding sub-ordinated debts)	-	-
v) Unsecured redeemable debentures/bonds (Refer schedule 15.1 B)	20,000	20,000
Total Borrowings in India	294,354	140,043
II. Borrowings outside India	-	-
Total (I and II)	294,354	140,043

* Secured borrowings included in I above is ₹ 92,404 lakhs, ₹ 5,932 lakhs for 31 March 2022 and 31 March 2021 respectively.

Schedule 5 - Other liabilities and provisions	As on	As on
	31 March 2022	31 March 2021
I. Bills payable	2,884	-
II. Inter-office adjustments (net)	-	-
III. Interests accrued	3,837	1,439
IV. General provision for standard assets (Refer schedule 15.4 J)	5,342	11,181
V. Others (including provisions)*	15,449	10,503
Total	35,462	23,103

* Others (including provisions)

	As on	As on
	31 March 2022	31 March 2021
Provision for other contingencies	58	34
Tax deducted at source payable	741	483
Statutory liability payable	635	430
Accrued expenses	3,243	1,872
Accrued employee expenses	2,539	1,918
Provision for gratuity (Refer schedule 15.14 A)	421	147
Provision for compensated absences (Refer schedule 15.14 C)	1,275	1,020
Provision for tax (net of advance tax)	188	185
Other liabilities	9,373	4,438
	18,449	10,503

Schedule 6 - Cash and balances with Reserve Bank of India	As on	As on
	31 March 2022	31 March 2021
I. Cash in hand (including foreign currency notes)*	3,304	2,628
II. Balances with Reserve Bank of India		
i) in current account	11,475	15,822
ii) in other accounts	95,900	85,200
Total (I and II)	111,679	103,650

* The Bank does not have any foreign currency note balances as on 31 March 2022 and 31 March 2021 .

Schedule 7 - Balances with banks and money at call and short notice	As on	As on
	31 March 2022	31 March 2021
I. In India		
i) Balances with banks		
a) in current accounts	1,247	6,634
b) in other deposit accounts*	5,032	1,280
ii) Money at call and short notice		
a) With banks	-	-
b) With other institutions	5,638	3,999
Total (I and II)	11,917	11,913
II. Outside India		
i) in current accounts	-	-
ii) in other deposit accounts	-	-
iii) Money at call and short notice	-	-
Total (II and III)	-	-
Total (I and II)	11,917	11,913

* Includes fixed deposits lien mortgaged with URDAI ₹ 32 lakhs (31 March 2021: ₹ 30 lakhs)

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2022
(All amounts in ₹ lakhs except otherwise stated)

Schedule II - Investments	As on 31 March 2022	As on 31 March 2021
I. Investment in India in		
i) Government securities	214,128	127,938
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	1,035	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
Total*	215,163	127,938
II. Investment outside India in		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other investments	-	-
Total	-	-
Grand Total (I and II)	215,163	127,938
III. Investments		
A. Investments in India		
Gross value of investments	215,728	127,939
Less: Aggregate of provision/depreciation/appreciation	(565)	(3)
Net Investments	215,163	127,936
B. Investments outside India		
Gross value of investments	-	-
Less: Aggregate of provision/depreciation/appreciation	-	-
Net Investments	-	-
Total Investments*	215,163	127,936

* Refer schedule 18.2 A - Investments

Schedule III - Advances	As on 31 March 2022	As on 31 March 2021
A. i) Bills purchased and discounted		
ii) Cash credits, overdrafts and loans repayable on demand*	44,148	1,985
iii) Term loans*	659,491	526,147
Total	703,637	530,112
B. i) Secured by tangible assets (including advances against book debts)	175,159	121,071
ii) Covered by banks/Government guarantees	4,128	-
iii) Unsecured	524,352	409,041
Total	703,637	530,112
C.I Advances in India		
i) Priority sectors	603,916	443,712
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	99,719	86,400
Total	703,637	530,112
II. Advances outside India		
i) Dues from banks	-	-
ii) Dues from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicate loans	-	-
c) Others	-	-
Total	-	-
Grand Total (C.I and II)	703,637	530,112

* Net of provision for non-performing assets aggregating to ₹ 32,340 lakhs, ₹ 20,518 lakhs and Inter-Bank Participation Certificate (IBPC) sold and outstanding ₹ 20,000 lakhs, ₹ 52,450 lakhs as on 31 March 2022 and 31 March 2021 respectively.

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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as on 31 March 2022
(All amounts in ₹ lakhs except otherwise stated)

Schedule 10 - Fixed assets	As on 31 March 2022	As on 31 March 2021
A. Premises		
Gross block		
At cost as on March 31	-	-
Additions during the year	-	-
Deductions during the year	-	-
Closing balance	-	-
Less: Depreciation to date	-	-
Net Block	-	-
B. Other fixed assets (including furniture and fixtures)		
At cost as on March 31		
Opening balance	9,209	7,978
Additions during the year	2,838	1,282
Deductions during the year	(93)	(59)
Closing balance	11,952	9,209
C. Accumulated depreciation		
Opening balance	5,589	3,940
Additions during the year	2,012	1,701
Deductions during the year	(83)	(51)
Closing balance	7,518	5,589
Net Block*	4,234	3,619
Total fixed assets	4,234	3,619

* Including capital work-in progress amounting to ₹ 5 lakhs, ₹ Nil and Intangible assets amounting to ₹ 151 lakhs, ₹ 102 lakhs as on 31 March 2022 and 31 March 2021 respectively

Schedule 11 - Other assets	As on 31 March 2022	As on 31 March 2021
I. Inter-office adjustments (net)	-	-
II. Interest accrued	12,188	9,325
III. Tax paid in advance / tax deducted at source (net)	1,969	353
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Others*	29,805	9,879
Total	43,960	19,557

* Others	As on 31 March 2022	As on 31 March 2021
Loans given as collateral towards securitisation transactions	327	327
Deferred tax asset (refer schedule 18.24)	9,302	6,651
Security deposits	1,458	1,234
Goods & Services Tax input credit	534	521
Other receivables	18,184	1,148
Total	29,805	9,879

Schedule 12 - Contingent liabilities	As on 31 March 2022	As on 31 March 2021
I. Claims against the bank not acknowledged as debts - taxes	-	-
II. Claims against the bank not acknowledged as debts - others*	-	327
III. Liability for partly paid investments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	-	-
Total	-	327

* Claims against the bank not acknowledged as debts-others	As on 31 March 2022	As on 31 March 2021
Principal subordination	-	327
	-	327

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2022
(All amounts in ₹ lakhs except otherwise stated)

Schedule 13 - Interest earned	Year Ended 31 March 2022	Year Ended 31 March 2021
I. Interest discount on advances/bills	132,338	114,826
II. Income on investments	9,435	6,852
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,747	3,261
IV. Others*	67	162
Total	144,587	125,103
* Others	Year Ended 31 March 2022	Year Ended 31 March 2021
Income from securitisation/assignment of loans	-	3
Interest income on money market instruments	-	117
Interest income on Tri Party Repo lending	68	41
Others	1	1
	67	162
Schedule 14 - Other Income	Year Ended 31 March 2022	Year Ended 31 March 2021
I. Commission, exchange and brokerage	9,675	5,096
II. Profit on sale of investments	540	151
(Less): Loss on sale of investments	(284)	(99)
III. Profit on revaluation of investments	-	-
(Less): Loss on revaluation of investments	-	-
IV. Profit on sale of land, buildings and other assets	4	3
(Less): Loss on sale of land, buildings and other assets	(7)	(2)
V. Profit on exchange/derivative transactions	-	-
(Less): Loss on exchange/derivative transactions	-	-
VI. Income earned by way of dividends etc.	-	-
VII. Miscellaneous income ¹	10,250	7,417
Total	20,178	12,588
1 Miscellaneous Income	Year Ended 31 March 2022	Year Ended 31 March 2021
Income from sale of Priority Sector Lending Certificate	5,649	4,096
Income tax refund	-	12
Debit card issue/maintenance charges	3,387	2,309
Others	1,214	1,000
	10,250	7,417
Schedule 15 - Interest expended	Year Ended 31 March 2022	Year Ended 31 March 2021
I. Interest on deposits	42,116	41,602
II. Interest on Reserve Bank of India/inter-bank borrowings	2,984	2,054
III. Others	11,876	11,349
Total	56,976	55,005
Schedule 16 - Operating expenses	Year Ended 31 March 2022	Year Ended 31 March 2021
I. Payments to and provisions for employees	41,207	28,919
II. Rent, taxes and lighting (refer schedule 15.25)	4,290	3,170
III. Printing and stationery	748	518
IV. Advertisement and publicity	767	604
V. Depreciation on Bank's property	2,012	1,701
VI. Directors' fees, allowances and expenses	143	113
VII. Auditors' fees and expenses	77	68
VIII. Law charges	111	2
IX. Postage, telegrams, telephones, etc.	1,224	1,149
X. Repairs and maintenance	945	540
XI. Insurance	577	477
XII. Professional fee	2,979	2,834
XIII. Other expenditure ²	9,602	6,334
Total	64,680	46,327

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Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2022
(All amounts in ₹ lakhs except otherwise stated)

Schedule 16 - Operating expenses (cont'd)

1 Other expenditure	Year Ended	Year Ended
	31 March 2022	31 March 2021
Traveling and conveyance	1,005	534
Communication expenses	575	455
Contribution towards CSR expenses (refer schedule 18.29)	306	149
Bank charges	101	105
Loss on securitisation	-	70
ATM recycler charges	1,411	985
Credit Bureau charges	240	147
Business correspondence commission	3,005	1,975
Miscellaneous expense	2,958	1,904
	8,602	6,334

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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

1 Overview

Pursuant to the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on 19 May 2017 and the issue of small finance bank license by the Reserve Bank of India ("RBI") on 12 May 2017, Disha Microfin Limited ("the Company") commenced its operations as a small finance bank with effect from 21 July 2017. Accordingly, the name of the Company was changed to Fincare Small Finance Bank Limited ("the Bank"). The Bank is a Banking Company governed by the Banking Regulation Act, 1949.

The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.6140/16/13.216/2018-19 dated 28 March 2019 and published in the Gazette of India on 13 April 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ('JLG'), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

2 Summary of significant accounting policies

2.1(I) Basis of preparation of financial statements

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the circulars and guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014(as amended) to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except otherwise stated. The accounting policies adopted in the presentation of financial statement are consistent with those followed in the previous year.

2.1(II) Impact of COVID 19

India has witnessed multiple waves of COVID-19 pandemic since mid-2020 leading to significant volatility in Indian financial markets and a significant decrease in local economic activities and India is still emerging from the COVID-19 pandemic. Currently, while the number of new COVID-19 cases have reduced significantly and the Government of India is in the process of withdrawing COVID-19 related restrictions, the full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's responses thereto, which are highly uncertain at this time.

The Bank continues to carry an additional contingency provision of ₹ 670 lakh as at March 31, 2022, which includes the additional provision for the accounts restructured under RBI Resolution framework. Further, during the current quarter, the Bank had created an additional provision of ₹ 4,322 lakhs.

2.2 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognised prospectively in the current and future periods.

2.3 Revenue recognition

Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.

	As on 31 March 2022	As on 31 March 2021
positions of twenty largest depositors	114,812	88,141
percentage of deposits of twenty largest depositors to total deposits of the Bank	17.78%	18.20%

Information of advances

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.3 Revenue recognition (Cont'd)

- (ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.
- (iii) Processing fees/upfront fee, handling charges of similar charges collected at the time of sanctioning or renewal of Loan/facility is recognised at the inception/renewal of loan.
- (iv) The fees charged on debit card issuance is recognised on an upfront basis (v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight-line basis over the tenure of the certificate.
- (vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.
- (viii) Other fees and commission income (including commission income on third party products) are recognized when due, except in cases where the bank is uncertain of ultimate collection.

2.4 Advances

Classification

Advances are classified into performing and non-performing advances ('NPA') based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on NPA classification and provisioning policy of the Bank, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ('IRAC') norms.

As per IRAC norms prescribed by RBI, a loan or an advance is classified as NPA where, the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or the account remains "out of order" in respect of an overdraft/cash credit (OD/CC) facility.

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

In case of micro-finance loans, rural micro enterprise loans, loan against gold, two wheeler loans, staff loans and CASA accounts with debit balances, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines.

Loss Assets

A loss asset is one where loss has been identified by the Bank but the amount has not been written off wholly. In other words, such an asset is considered uncollectable and of such little value that its continuance as a Bankable asset is not warranted although there may be some salvage or recovery value. All assets involving frauds would generally be treated as loss assets

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities & Provisions-Others".

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on NPA classification and provisioning policy of the Bank, subject to minimum provisioning level prescribed by RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies.

NPAs which have been fully provided for, are written off, based on management estimate and as per the NPA Provisioning and Write off Policy of the Bank.

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Provision and contingency under schedule 18.15.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.4 Advances (Cont'd)

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of micro finance portfolio loan is made in accordance with the provisioning policy for micro finance own portfolio and in case of securitized portfolio of loan against property/rural loan against property loans, it is made in accordance with the provisioning policy for loan against property/rural loan against property own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

2.5 Inter-bank participation certificate ('IBPC')

The Bank enters into inter-bank participation with risk sharing as issuing bank and in accordance with the RBI guidelines, the aggregate amount of such participation are reduced from aggregate advance outstanding.

2.6 Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called 'categories').

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called 'groups') –

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments.

Purchase and sale transactions in respect of all securities are recorded under 'Settlement Date' of accounting.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debt instruments are recognised in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve, is appropriated from the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FIBL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FIBL.

The valuation of Non-SLR securities, other than those quoted on the stock exchange, wherever let to yield to maturity (YTM) rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Securities are valued scrip wise and depreciation/appreciation aggregated for each group. Net appreciation in each group if any, being unrealized, is ignored, while net depreciation is provided for.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such

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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.6 Investments (Cont'd)

amortisation of premium is adjusted against interest income under the head Income from Investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. Any diminution, other than temporary, in the value of such securities is provided for. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

2.7 Repo Reverse Repo transactions

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities are reflected as borrowings and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

2.8 Investment Fluctuation Reserve ("IFR")

With a view to building up of adequate reserve to protect against increase in yields, RBI through circular no. RBI/2017-18/147 BBR.No.BP.BC.102/21.04.048/2017-18 dated 02 April 2018, advised all banks to create an IFR with effect from the FY 2018-19.

Amount transferred to IFR is not less than lower of the following:

- (i) net profit on sale of investments during the year. Or
- (ii) net profit for the year less mandatory appropriation, until the amount of IFR is at least 2% of the HFT and AFS portfolio, on a continuing basis.

The amount is drawn down from IFR as per the guidelines prescribed by RBI.

2.9 Transfer and servicing of assets

The Bank transfers loans through securitization/direct assignment transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitisation/assignment of loan portfolio (Premium loan transfer transactions) is amortised over the life of the underlying loan portfolio and the unamortised amount is disclosed as Deferred Income within 'Other liabilities' on the balance sheet.

Contractual rights to receive a portion of interest ("Unrealised profits") arising at the time of securitisation/ assignment of loan portfolio (PAR transactions) is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other assets' on the balance sheet. In accordance with RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other liabilities' on the balance sheet. Income from interest strip (excess interest spread) is recognised in the profit and loss account, net of any losses, when redeemed in cash.

2.10 Fixed assets (Property, Plant and Equipment)

Fixed assets (PPE), capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.11 Intangible assets

An intangible is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on the initial recognition at cost. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

2.12 Depreciation and amortization

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Bank has used the following rates to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipment	5 years
Computer equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	Over the period of lease

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer software	3 years

Depreciation / amortisation is charged on a proportionate basis for all assets purchased and sold during the period.

2.13 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.14 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.

Provident fund

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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.14 Employee benefits (Cont'd)

The Bank contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the Projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arise.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability/Asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation as at the balance sheet date in a manner similar to gratuity liability.

Other short-term benefits

Expense in respect of other short-term benefits including performance incentive is recognised on the basis of amount paid or payable for the period for which the employee render services.

Other long-term employee benefits- Deferred cash variable pay

As per policy, A minimum of 60% of Total Variable Pay shall be under deferral arrangement. At least 50% of the Cash component of Variable Pay shall be under deferment. Also, in case Cash Variable Pay for a performance period is below Rs.25 lakhs, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to FY-21, paid in FY22, 100% of non-cash variable pay and 50% of cash pay was under deferral. The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

2.15 Employee share based Payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees and Managing Director of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.21. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Employee stock options outstanding account.

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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.15 Employee share based Payments (Cont'd)

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of the cost of lapsed option. In respect of the options which expire unexercised the balance standing to the credit of Employee stock options outstanding account is transferred to General Reserve.

2.16 Taxes on Income

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the income-tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Non-monetary items which are measured at fair value or other similar value denominated in foreign currency are translated using the exchange rates at the date when such value is determined.

2.18 Provisions and contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.18 Provisions and contingent liabilities (Cont'd)

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognized in the financial statement.

2.19 Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

2.20 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.21 Transaction cost

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

- I. Issuance of share capital and debentures is expensed to the profit and loss account.
- II. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

2.22 Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term (i.e. lock in period).

2.23 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises of cash in hand, balances with RBI, balances with other banks.

2.24 Segment reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2022

2.24 Segment reporting(Cont'd)

c) Retail banking

The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

2.25. Share Issue Expenses

Share issue expenses are adjustment from Securities premium account as permitted by section 52 of Companies Act 2013.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements (All amounts in ₹ lakhs except otherwise stated)

18.1 - Regulatory Capital

A. Composition of Regulatory Capital

The following table sets forth, for the years indicated, computation of capital adequacy as per the RBI guidelines (under Basel II):

Particulars	As on	As on
	31 March 2022	31 March 2021
I Common Equity Tier 1 capital (CET 1) Paid up share capital and reserves(net of deductions, if any)	93,488	94,049
II Additional Tier 1 capital/ Other Tier 1 capital	-	-
III Tier 1 capital (I and II)	93,488	94,049
IV Tier 2 capital	15,758	17,556
V Total capital (III and IV)	109,246	111,605
VI Total Risk Weighted Assets (RWAs)	556,936	377,576
VII CET 1 Ratio	16.79%	24.91%
VIII Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	16.79%	24.91%
IX Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	2.84%	4.65%
X Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	19.63%	29.56%
XI Leverage Ratio	10.05%	11.91%
XII Percentage of the shareholding of		
a) Government of India	-	-
XIII Amount of paid-up equity capital raised during the year	15,717	-
XIV Amount of non-equity Tier 1 capital raised during the year, of which:	-	-
XV Perpetual Non-Cumulative Preference Shares (PNCPs)	-	-
XVI Perpetual Debt Instruments (PDI)	-	-
XVII Amount of Tier 2 capital raised, of which:	-	-
XVIII Debt capital instruments (discounted value)*	9,000	13,000
XIX Preference Share Capital Instruments: (Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPs)/ Redeemable Cumulative Preference Shares (RCPS))	-	-

* Subordinated debt (considered in Tier 2 capital) outstanding as on 31 March 2022 is ₹ 20,000 lakhs (31 March 2021: ₹ 20,000 lakhs).

B. Details of Sub-ordinate debt :

ISIN Number	Deemed Date of Allotment	Coupon Rate (% p.a.)	Tenure (in months)	Equivalent Amount as on March 31, 2022	Equivalent Amount as on March 31, 2021
INES19006020	29 May 2017	12.80%	86	2,500	2,500
INES19006145	20 March 2018	11.30%	75	3,700	3,700
INES19006137	22 March 2018	11.30%	75	3,600	3,600
INES19006152	30 September 2019	12.87%	72	10,000	10,000

C. Draw down from reserves

During the year ended 31 March 2022 and 31 March 2021, there were no drawdown from reserves.

D. Capital infusion

During the year ended 31 March 2022, the Bank has infused capital Rs. 15,717 Lakh (31 March 2021: Nil). Details of movement in the paid up equity share capital are as below:

Particulars	As on 31 March 2022		As on 31 March 2021	
	Equity Shares	Amount (₹)	Equity Shares	Amount (₹)
Equity shares at the beginning of the year	83,610,481	6,361	83,610,481	6,361
Addition pursuant to equity shares issued during the year	9,982,759	900	-	-
Addition pursuant to bonus equity shares issued during the period	147,185,480	14,719	-	-
Equity shares outstanding at the end of the year	230,778,720	22,079	83,610,481	6,361

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Fincare Small Finance Bank Limited

Schedule 13 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

16.2 - Investments

A. Composition of Investment Portfolio as on 31 March 2022

Particulars	Total Investments in India						Total Investments outside India			
	Government Securities	Other Approved Securities	Shares	Debt Instruments and Bonds	Subsidiaries and/or joint ventures	Others	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India
Held to Maturity										
Gross	111,025	-	-	-	-	-	111,025	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-
Net	111,025	-	-	-	-	-	111,025	-	-	-
Available for Sale										
Gross	103,667	-	-	1,035	-	-	104,702	-	-	-
Less: Provision for depreciation and NPI	545	-	-	10	-	-	554	-	-	-
Net	103,122	-	-	1,025	-	-	104,148	-	-	-
Held for Trading										
Gross	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-
Total Investments	214,692	-	-	1,035	-	-	215,727	-	-	-
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	545	-	-	10	-	-	554	-	-	-
Net	214,147	-	-	1,025	-	-	215,173	-	-	-

Composition of Investment Portfolio as on 31 March 2021

Particulars	Total Investments in India						Total Investments outside India			
	Government Securities	Other Approved Securities	Shares	Debt Instruments and Bonds	Subsidiaries and/or joint ventures	Others	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India
Held to Maturity										
Gross	86,542	-	-	-	-	-	86,542	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-
Net	86,542	-	-	-	-	-	86,542	-	-	-
Available for Sale										
Gross	41,367	-	-	-	-	-	41,367	-	-	-
Less: Provision for depreciation and NPI	3	-	-	-	-	-	3	-	-	-
Net	41,364	-	-	-	-	-	41,364	-	-	-
Held for Trading										
Gross	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-
Total Investments	127,909	-	-	-	-	-	127,906	-	-	-
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	3	-	-	-	-	-	3	-	-	-
Net	127,906	-	-	-	-	-	127,903	-	-	-

B. Movement of Provisions for Depreciation and Investment Fluctuation Reserve

Particulars	31 March 2022	31 March 2021
I. Movement of provisions held towards depreciation on investments		
a) Opening balance	3	8
b) Add: Provisions made during the year	254	3
c) Less: Write off / write back of excess provisions during the year	3	8
d) Closing balance	254	3
II. Movement of Investment Fluctuation Reserve		
a) Opening balance	838	744
b) Add: Amount transferred during the year	1,254	84
c) Less: Drawdown	-	-
d) Closing balance	2,092	828
III. Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2%	2%

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Fincare Small Finance Bank Limited

Schedule 19 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.2 - Investments (cont'd)

C. Repurchase transactions

T1 - Party Repo / Reverse Repo

Particulars	Minimum outstanding during the year 2021-22	Maximum outstanding during the year 2021-22	Daily Average outstanding during the year 2021-22	Outstanding as on 31 March 2022
Securities sold under repo^a				
i. Government securities	5,387	66,912	58,742	63,956
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-
Securities purchased under reverse repo^a				
i. Government securities	30,384	130,600	75,181	97,667
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-

Particulars	Minimum outstanding during the year 2020-21	Maximum outstanding during the year 2020-21	Daily Average outstanding during the year 2020-21	Outstanding as on 31 March 2021
Securities sold under repo^a				
i. Government securities	5,387	40,026	25,022	5,367
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-
Securities purchased under reverse repo^a				
i. Government securities	32,259	132,519	82,639	90,539
ii. Corporate debt securities	-	-	-	-
iii. Any Other Securities	-	-	-	-

^a Amounts reported are based on the face value of securities under Repo and Reverse Repo.

Qualitative disclosure

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and got the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. 01 August 2019 after requisite collateral and default funds were in place.

The securities provided/collated to the Bank as date for reverse repo transactions are all issued by Government of India in the form of government securities, floating rate bonds and T-Bills.

D. Non-SLR Investment portfolio

a) Issuer composition of Non-SLR Investments
As on 31 March 2022

Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
i. PSUs	-	-	-	-	-
ii. FIs	1,035	-	-	-	-
iii. Banks	-	-	-	-	-
iv. Private Corporates	-	-	-	-	-
v. Subsidiaries/ Joint Ventures	-	-	-	-	-
vi. Others	-	-	-	-	-
vii. Provision held towards depreciation	(19)	-	-	-	-
Total *	1,016	-	-	-	-

As on 31 March 2021, there was no Non - SLR Investments.

b) Non-performing Non-SLR Investments

During the year ended 31 March 2022 and 31 March 2021, there are no non performing Non - SLR Investments.

E. Sale and Transfer to/from HTM Category

During the years ended March 31, 2022 and March 31, 2021, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines, sale of securities to the RBI under liquidity management operations of RBI like Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP) and sale of securities or transfer to AFS /HFT consequent to the reduction of calling on SLR securities under HTM.

During the year ended 31 March 2021, there was no sale and transfer to/from HTM category.

18.3 - Derivatives

During the year ended 31 March 2022 and 31 March 2021, the Bank has not undertaken any derivative transaction and there is no outstanding position as on the year end. Hence, disclosure related to forward rate agreement / Interest rate swap, credit default swaps and exchange traded interest rate derivatives are not provided.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.4 - Asset quality

A. Classification of advances and provisions held

Particular	As on 31 March 2022					As on 31 March 2021						
	Standard	Non-Performing			Total	Standard	Non-Performing			Total		
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances		
Gross Standard Advances and NPAs												
Opening Balance	515,270	22,027	1,232	12,100	35,359	550,628	522,047	2,411	439	1,822	4,472	527,419
Add: Additions during the year					159,848						35,712	
Less: Reductions during the year*					87,862						4,825	
Closing balance	678,054	52,837	3,012	874	57,323	735,877	515,270	22,027	1,232	12,100	35,359	550,628
*Reductions in Gross NPAs due to:												
i) Upgradation					42,709	42,709					35,712	35,712
ii) Recoveries (excluding recoveries from upgraded accounts)					8,222	8,222					143	143
iii) Technical/ Prudential Write-offs					35,840	35,840					3,369	3,369
iv) Write-offs other than those under (ii) above					111	111						
Provisions (excluding Floating Provisions)												
Opening balance of provisions held	11,161	8,057	361	12,100	20,518	31,679	10,610	747	130	1,822	2,497	13,107
Add: Fresh provisions made during the year					79,877						21,158	
Less: Gross provision reversed/ Write-offs loans					69,055						3,087	
Closing balance of provisions held	5,342	30,320	1,148	874	32,340	37,682	11,161	8,057	361	12,100	20,518	31,679
Net NPAs												
Opening Balance		13,970	871	-	14,841		1,665	310	-	1,975		
Add: Fresh additions during the year					32,562					15,012		
Less: Reductions during the year					22,827					2,148		
Closing Balance		22,517	2,468	-	24,985		13,970	871	-	14,841		
Floating Provisions												
Opening Balance												
Add: Additional provisions made during the year												
Less: Amount drawn down/d during the year												
Closing balance of floating provisions												
Technical write-offs and the recoveries made thereon												
Opening balance of Technical/ Prudential write-off accounts						21,037					17,614	
Add: Technical/ Prudential write-offs during the year						35,840					3,363	
Less: Recoveries made during the year						828					170	
Closing balance						37,051					21,037	

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

*The Bank has changed the estimate relating to incremental provisioning of non-performing assets during third quarter of the financial year based on days past due. The impact on account of this change in estimate is decrease in provision towards NPA by Rs. 7,551 lakhs and increase in the Profit after tax by Rs. 5905 lakhs.

B. Ratios

	As on 31 March 2022	As on 31 March 2021
Gross NPA to Gross Advances	7.79%	8.42%
Net NPA to Net Advances	3.55%	2.85%
Provision Coverage Ratio*	70.19%	73.68%

* Provision Coverage Ratio is computed after considering Technical Write Offs

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.4 - Asset quality (cont'd)

C. Particulars of accounts restructured for the year ended 31 March 2021 (As per RBI circular no. RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22 dated 30 August 2021 this note has been discontinued from the current financial year)

Type of Restructuring	Asset Classification	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	49	-	15	64	-	49	-	15	64
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	2	-	1	3	-	2	-	1	3
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	1	-	1	2	-	1	-	1	2
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	238	14,328	-	-	14,564	238	14,328	-	-	14,564	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	82	5,488	-	-	5,570	82	5,488	-	-	5,570	
	Provision thereon	-	-	-	-	-	-	-	-	-	23	1,389	-	-	1,412	23	1,389	-	-	1,412	
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	(14)	(14)	-	28	-	(14)	(14)	-	28	-	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	(4)	(4)	-	8	-	(4)	(4)	-	8	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	(4)	(4)	-	8	-	(4)	(4)	-	8	-	
Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(13)	-	(10)	(23)	-	(13)	-	(10)	(23)	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(0)	-	(1)	(1)	-	(0)	-	(1)	(1)	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	(0)	-	(1)	(1)	-	(0)	-	(1)	(1)	
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(31)	-	(5)	(36)	-	(31)	-	(5)	(36)	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(1)	-	(0)	(1)	-	(1)	-	(0)	(1)	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	(0)	-	0	(0)	-	(0)	-	0	(0)	
Restructured Accounts as on March 31 of the year (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	224	14,317	-	28	14,589	224	14,317	-	28	14,589	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	78	5,485	-	8	5,571	78	5,485	-	8	5,571	
	Provision thereon	-	-	-	-	-	-	-	-	-	19	1,388	-	8	1,413	19	1,388	-	8	1,413	

1 Out of 14,328 accounts, 14,231 restructured accounts have been provided additional finance as a part of resolution plan which was initially classified as standard as per Prudential Framework for resolution of stressed assets dated 7 June 2019. The amount outstanding and provision thereon, towards such additional finance is ₹ 3,330 lakhs and ₹ 829 lakhs respectively as on 31 March 2021.

2 Additional finance, with an amount outstanding and provision thereon of ₹ 132 lakhs and ₹ 39 lakhs respectively as on 31 March 2021 was downgraded to sub-standard during the year ended 31 March 2021.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18A - Asset quality (cont'd)

D. Details of Restructured Account as per Circular no. RBI/2019-19/200 DRR No.BP.DC.45/21.04.08/2019-19 dated 07 June 2019

Particulars	Agriculture and allied activities		Corporate (excluding MSME)		Micro small and medium enterprises		Retail (excluding agriculture and MSME)		Total		
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	
Standard	No. of Borrowers	2,447	224	-	-	-	-	-	-	2,447	224
	Gross Amount ¹	455	78	-	-	-	-	-	-	455	78
	Provision held	2	19	-	-	-	-	-	-	2	19
Sub-standard	No. of Borrowers	38,854	14,317	-	-	-	-	-	-	38,854	14,317
	Gross Amount	8,745	5,484	-	-	-	-	-	-	8,745	5,484
	Provision held	4,002	1,385	-	-	-	-	-	-	4,002	1,385
Doubtful	No. of Borrowers	72	28	-	-	-	-	-	-	72	28
	Gross Amount	19	8	-	-	-	-	-	-	19	8
	Provision held	19	8	-	-	-	-	-	-	19	8
Total	No. of Borrowers	41,373	14,569	-	-	-	-	-	-	41,373	14,569
	Gross Amount	9,219	5,570	-	-	-	-	-	-	9,219	5,570
	Provision held	4,023	1,412	-	-	-	-	-	-	4,023	1,412

¹ Excludes interest accrued

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18A - Asset quality (cont'd)

E. Details of resolution plan implemented under the Resolution Framework for Covid-19-related Stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (i.e. 30 September, 2021) (A) ¹	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2022	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year (i.e.31 March 2022) ²
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	25,977	10,673	288	2,801	12,138
Total	25,977	10,673	288	2,801	12,138

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

The amounts mentioned in above table does not include interest accrued as on the date of implementation of the plan.

¹ Includes cases where the resolution plan implemented after 30 September 2021

² Represents fund based outstanding as of 30 September 2021

³ Represents fund based outstanding as of 31 March 2022

F. Disclosure on implementation of resolution plan as required under RBI circular dated June 7, 2018 on Prudential Framework for Resolution of Stress Assets

Financial Year 2021-22

Particulars	Resolution Plan Implemented	Resolution Plan not Implemented
No. of borrowers where timeline for implementation of resolution plan was before 31st March 2022	59,799	Nil
Fund based outstanding as on 31st March 2022	12,801*	Nil
Additional provision held as per RBI circular of June 7, 2019 - 54 Nil		
*Includes the amount technically written off		

G. Disclosure on the scheme for MSME sector - restructuring of advances

During the year ended 31 March 2022 and 2021, the Bank has not done any MSME restructuring.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 19 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.4 - Asset quality (cont'd)

H. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Bank has not sold any financial assets during the year ended 31 March 2022 and 31 March 2021 to securitisation / reconstruction company for asset reconstruction.

I. Details of non-performing financial assets purchased / sold

The Bank has not purchased or sold any non-performing financial assets during the year ended 31 March 2022 and 31 March 2021.

J. Provisions towards standard assets

Particulars	As on 31 March 2022	As on 31 March 2021
Provisions towards standard assets	5,343	11,161
	3,343	11,161

K. Sector-wise Advances and Gross NPAs

Sector ¹	As on 31 March 2022			As on 31 March 2021		
	Outstand- ing Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector						
I. Agriculture and allied activities	414,382	34,015	8.21%	298,015	18,485	6.20%
Small & Marginal Farmer	307,828	28,970	9.42%	237,489	14,829	6.24%
Agriculture-Others	106,554	5,045	4.72%	60,546	3,656	6.04%
E. Advances to industries sector eligible as priority sector lending	2,011	27	1.34%	92	10	10.67%
II. Services	13,407	114	0.85%	52,885	7,371	13.94%
IV. Personal loans and others	204,962	17,843	8.71%	120,267	3,335	2.77%
Sub-total (A)	634,722	51,999	8.19%	471,259	28,291	6.02%
B. Non Priority Sector						
Agriculture and allied activities	9,311	290	3.11%	2,349	55	2.34%
Industry	6,682	223	3.33%	1,158	17	1.47%
Services	15,438	190	1.23%	5,191	10	0.19%
Personal loans	88,616	4,851	5.47%	70,703	5,993	8.48%
Sub-total (B)	110,047	5,354	4.86%	79,371	6,155	7.76%
Total (A+B)	744,769	57,353	7.70%	550,630	34,446	6.26%

Provision on Gross NPA ₹ 32,340 lakhs (31 March 2021: ₹ 20,518 lakhs)

The Bank has complied the data for the purpose of this disclosure from its internal MIS system.

L. Higher provision for Covid-19

India has witnessed multiple waves of COVID-19 pandemic since mid-2020 leading to significant volatility in Indian financial markets and a significant decrease in local economic activities and India is still emerging from the COVID-19 pandemic. Currently, while the number of new COVID-19 cases have reduced significantly and the Government of India is in the process of withdrawing COVID-19 related restrictions, the full extent of impact of the pandemic on the Bank's operations and financial metrics (including impact on provision for loan portfolio) will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, governmental and regulatory measures and the Bank's responses thereto, which are highly uncertain at this time.

The Bank continues to carry an additional contingency provision of ₹ 870 lakh as at March 31, 2022, which includes the additional provision for the accounts restructured under RBI Resolution framework. Further, during the current quarter, the Bank had created an additional provision of ₹ 4,322 lakhs.

M. Overseas Assets, NPAs and Reversals

The Bank does not hold any overseas assets / NPAs as on 31 March 2022 and 31 March 2021 and also no overseas operations were undertaken during the year. Hence revenue from overseas operation is 'Nil'.

N. Divergence in asset classification and provisioning

There was no divergence observed by the RBI for the FY 2020-21 and Bank is not in receipt of any communication from RBI in this regard for FY 2021-2022.

O. Disclosure of provision for fraud

Particulars	As on 31 March 2022	As on 31 March 2021
Number of frauds reported during the year to the RBI	40	35
Amount involved in such frauds	71	85
Provision made during the year (net of recovery)	18	838
Unsanctioned provision debited from other reserves	-	-

18.5 - Business ratios

Particulars	As on 31 March 2022	As on 31 March 2021
(i) Interest income as a percentage to working funds ¹	15.48%	15.66%
(ii) Non Interest income as a percentage to working funds ¹	2.34%	1.62%
(iii) Cost of Deposits ²	7.35%	8.15%
(iv) Net Interest Margin ³	8.98%	8.62%
(v) Operating profit ⁴ as a percentage to working funds ¹	4.61%	4.83%
(vi) Return on assets (average) ⁵	0.05%	1.44%
(vii) Business ⁶ per employee ⁷	104	115
(viii) Profit per employee ⁸	0.59	2

¹ For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

² Operating profit is net profit for the year before provisions and contingencies.

³ Business is monthly average of advances and deposits (net of inter bank deposits) as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

⁴ Profitability ratios are based on average employee number.

⁵ For the purpose of computing the ratio, interest represents interest on deposit and deposit represent the monthly average of total deposit computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

⁶ Net Interest Income/ Average Earning Assets where Net Interest Income= Interest Income – Interest Expense and Average earning assets is monthly average of advances, investments and money at call and short notice as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

⁷ Return on Assets would be with reference to average working funds (i.e., total of assets excluding accumulated losses, if any).

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Fincare Small Finance Bank Limited

Schedule 1B - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

1B.6 - Asset liability management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31 March 2022.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	15,925	8,469	20,154	4,057	12,809	12,746	53,313	160,905	337,257	18,739	1,394	645,556
Advances ^{1,3}	2,215	6,872	10,275	16,198	37,628	40,499	109,388	173,097	205,580	48,882	62,515	703,637
Investments	49,491	2,226	2,545	4,317	2,043	2,308	15,733	77,606	53,903	4,757	242	215,163
Borrowings ²	-	32,804	11,000	3,000	850	3,383	18,347	42,044	149,147	33,210	769	294,354
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31 March 2021.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months & up to 6 months	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	5,124	5,963	7,417	4,620	11,255	11,537	51,603	117,567	289,170	27,537	7	531,850
Advances ^{1,3}	1,545	4,701	7,471	14,909	30,394	32,362	88,383	143,965	156,033	31,430	21,179	530,112
Investments	39,965	1,943	1,834	3,336	1,427	1,598	7,800	16,750	46,555	6,722	1	127,936
Borrowings ²	-	-	1,800	-	-	833	12,385	15,645	74,017	30,910	975	140,043
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

The Bank has computed the data for the purpose of this disclosure from its internal MIS system.

Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.

Notes:

- The above borrowings exclude interest accrued and due and interest accrued but not due.
- The advances comprise of portfolio loan and does not include interest accrued but not due.
- Includes interest bearing loans only.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.7 - Segment reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by the RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

c) Retail banking

The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

d) Other banking operations

Other Banking operations include other items not attributable to any particular business segment.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Business segments Particulars	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021
Revenue	12,451	10,335	499	2,157	151,815	125,179	-	-	164,765	137,671
Result	7,329	5,747	333	785	6,637	19,135	-	-	14,289	25,647
Unallocated expenses									13,734	11,025
Operating profit									975	14,642
Income taxes									(912)	3,328
Extraordinary Profit/Loss									-	-
Net profit									887	11,314
Other information:										
Segment assets	355,530	344,742	3,169	7,897	709,476	528,708	-	-	1,071,175	781,356
Unallocated assets									19,415	15,482
Total assets									1,090,590	796,787
Segment liabilities	165,069	45,550	1,101	2,983	773,548	635,736	-	-	940,735	685,288
Unallocated liabilities									149,855	111,519
Total liabilities									1,090,590	796,787

Note:

In compiling the above disclosure, certain assumptions and estimates are made by the management which have been relied upon by the auditor.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.6 - Related party disclosure

Description of relationship	Nature of relationship
<i>g) Parties where control exists</i> Fincare Business Services Limited*	Holding Company
<i>h) Key management personnel</i> Mr. Rajeev Yadav Mr. Keyur Doshi Ms. Shefaly Kothari	Managing Director and Chief Executive Officer Chief Financial Officer Company Secretary
<i>i) Other related parties</i> Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, GOPALBHAI DOSHI (HUF), Keyur Doshi HUF, Ms. Sarojan Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nysa Yadav, Ms. Saroj Khole and Mr. H S Khole.	Relatives of key management personnel

iv) The transactions with related parties during the year :

Nature of transaction	Relationship	No. of Equity Shares	Value per Share	31 March 2022	31 March 2021
Issue of equity shares by way of Right Issue					
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	101	10	0	-
Mr. Keyur Doshi	Chief Financial Officer	68,171	10	7	-
Relative of key management personnel	Relatives of key management personnel	68,844	10	57	-
Issue of equity shares by way of Bonus Issue					
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	224	10	0	-
Mr. Keyur Doshi	Chief Financial Officer	163,964	10	16	-
Fincare Business Services Limited*	Holding Company	115,659,712	10	11,566	-
Relative of key management personnel	Relatives of key management personnel	1,226,188	10	123	-
Securities premium on equity shares by way of Right Issue					
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	101	160	0	-
Mr. Keyur Doshi	Chief Financial Officer	68,171	160	109	-
Relative of key management personnel	Relatives of key management personnel	68,844	160	910	-
Managerial remuneration/compensation for KMP					
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer			386	295
Mr. Keyur Doshi	Chief Financial Officer			137	121
Ms. Shefaly Kothari	Company Secretary			32	28
Term deposits made with the Bank					
Fincare Business Services Limited	Holding Company			2,699	6,765
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer			-	0
Relative of key management personnel	Relative of key management personnel			19	229
Term deposits matured (inclusive of interest)					
Fincare Business Services Limited	Holding Company			2,339	6,771
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer			0	-
Relative of key management personnel	Relative of key management personnel			35	40

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.8 - Related party disclosure (cont'd)

Nature of transaction	Relationship	31 March 2022	31 March 2021
Interest expense on term deposits			
Fincare Business Services Limited	Holding Company	15	8
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	1	1
Mr. Keyur Doshi	Chief Financial Officer	0	0
Relative of key management personnel	Relative of key management personnel	34	28
Interest expense on Sub Debt			
Fincare Business Services Limited	Holding Company	-	4
Relative of key management personnel	Relative of key management personnel	1	-
Interest expense on Saving account			
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	0	0
Mr. Keyur Doshi	Chief Financial Officer	1	0
Ms. Shefaly Kothari	Company Secretary	0	0
Relative of key management personnel	Relative of key management personnel	42	12
v) Closing balance of the transactions with related parties :			
Nature of transaction	Relationship	31 March 2022	31 March 2021
Deposit balance (savings and term deposits)			
Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	359	-
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	7	7
Mr. Keyur Doshi	Chief Financial Officer	2	2
Ms. Shefaly Kothari	Company Secretary	19	8
Relative of key management personnel	Relative of key management personnel	453	872
Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	1,859
Relative of key management personnel	Relative of key management personnel	11	-
Interest payable on Sub-debt			
Fincare Business Services Limited	Holding Company	-	4
Relative of key management personnel	Relative of key management personnel	0	-
Current account balance			
Fincare Business Services Limited	Holding Company	8	142

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.8 - Related party disclosure (cont'd)

vi) Maximum outstanding during the year:

Nature of transaction	Relationship	31 March 2022	31 March 2023
Deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	4,395	9,051
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	9	1
Mr. Keyur Doshi	Chief Financial Officer	824	2
Ms. Shefaly Kothari	Company Secretary	20	
Relative of key management personnel	Relative of key management personnel	3,122	90
Interest expense payable on deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	1	-
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	0	
Mr. Keyur Doshi	Chief Financial Officer	1	
Ms. Shefaly Kothari	Company Secretary	0	
Relative of key management personnel	Relative of key management personnel	30	
Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	-
Relative of key management personnel	Relative of key management personnel	11	
Interest on Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	
Relative of key management personnel	Relative of key management personnel	1	
Current account balance			
Fincare Business Services Limited	Holding Company	1,895	2,331

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economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and performing assets. Difference between the actual results and estimates are recognised in the period in which the result is known/materialized. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Fincare Small Finance Bank Limited Revenue recognition

Schedule 18 - Notes to the financial statements (All amounts in ₹ lakhs except otherwise stated)

18.9 - Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As on 31 March 2022	As on 31 March 2021
Total deposits of twenty largest depositors	114,812	88,141
Percentage of deposits of twenty largest depositors to total deposits of the Bank	17.78%	18.20%

B. Concentration of advances

Particulars	As on 31 March 2022	As on 31 March 2021
Total advances to twenty largest borrowers	14,390	8,923
Percentage of advances to twenty largest borrowers to total advances of the Bank	1.99%	1.48%

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

C. Concentration of exposures

Particulars	As on 31 March 2022	As on 31 March 2021
Total exposure to twenty largest borrowers / customers	14,390	8,923
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	1.99%	1.48%

Investment exposure of non-borrower have not been considered while arriving at total exposure.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

D. Concentration of NPAs

Particulars	As on 31 March 2022	As on 31 March 2021
Total Exposure to the top twenty NPA accounts	664	1,650
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	1.16%	4.67%

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Fincare Small Finance Bank Limited
Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.10 - Liquidity coverage ratio

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended 30 June 2021		Quarter ended 30 September 2021		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	Total Unweighted Value* (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)		247,478		216,089		164,705		199,780
Cash outflows								
2) Retail deposits and deposits from small business customers, of which:								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	323,020	32,302	344,983	34,498	366,123	36,612	379,150	37,918
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	52,987	52,987	66,010	66,010	60,918	60,918	73,946	73,946
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	20,017	7,068	23,985	10,092	13,107	26	25,700	9,850
5) Additional requirements, of which								
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	3,651	164	5,039	252	2,438	122	6,227	362
6) Other contractual funding obligations	6,780	6,780	8,574	8,574	8,623	8,623	9,500	9,500
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows		99,341		119,426		106,301		131,528
Cash inflows								
9) Secured lending (e.g. reverse repos)	102,189	-	85,795	-	-	-	73,857	-
10) Inflows from fully performing exposures	32,126	16,063	35,361	17,681	32,314	16,157	38,507	19,253
11) Other cash inflows	176	176	120	120	413	413	1,850	1,850
12) Other contractual cash inflows	10,086	5,044	11,699	5,849	12,946	6,472	12,418	6,208
13) Total Cash Inflows	144,579	21,283	132,974	23,650	45,672	23,042	126,630	27,311
14) Total HQLA		247,478		216,089		164,705		199,780
15) Total Net Cash Outflows		78,058		95,776		43,259		104,217
16) Liquidity Coverage Ratio (%)		317.04%		225.62%		221.84%		191.70%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31 March 2022 and 31 March 2021. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.
The Bank has compiled the data for the purpose of this disclosure from its internal ARS system.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.10 - Liquidity coverage ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 2021	
	Total Unweighted Value* (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)		206,342		179,376		203,219		197,469
Cash outflows								
2) Retail deposits and deposits from small business customers, of which:								
- Stable deposits	-	-	-	-	-	-	-	-
- Less stable deposits	248,087	24,910	275,474	27,547	291,730	29,173	307,689	30,769
3) Unsecured wholesale funding, of which:								
- Operational deposits (all counterparties)	59,631	59,631	81,113	81,113	68,190	68,190	65,327	65,327
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-
4) Secured wholesale funding	30,345	3,624	28,431	10,395	20,639	2,853	18,091	6,417
5) Additional requirements, of which	-	-	-	-	-	-	-	-
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	2,731	354	5,963	298	6,783	339	2,585	129
6) Other contractual funding obligations	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) Total Cash Outflows		68,699		119,353		100,555		102,642
Cash inflows								
9) Secured lending (e.g. reverse repos)	127,268	-	68,006	-	91,104	-	80,811	-
10) Inflows from fully performing exposures	1,742	871	5,071	2,535	27,133	13,566	36,688	18,333
11) Other cash inflows	2,748	2,748	13,295	13,295	3,983	3,983	2,494	2,494
12) Total Cash Inflows	131,758	3,617	86,372	15,830	122,220	17,549	119,971	20,827
13) Total HQLA		206,342		179,376		203,219		197,469
14) Total Net Cash Outflows		85,062		103,623		83,008		81,815
15) Liquidity Coverage Ratio (%)		241.35%		173.27%		244.63%		241.36%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31 March 2021 and 31 March 2020. In computing the above information, certain assumptions and estimates have been made. The Bank has compiled the data for the purpose of this disclosure from its internal ARS system.

Qualitative Disclosure around LCR

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High-Quality Liquid Assets (HQLA) to Expected Net Cash Outflow over the next 30 calendar days, as per the RBI guidelines. Banks were required to meet the minimum required level of 100% LCR with effect from April 01, 2021.

The LCR is being computed and monitored on daily simple average basis. The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances, Marginal Standing Facility (MSF) to the extent of 3 per cent till December 31, 2021 and 2 per cent from January 01, 2022 of Net Demand and Time Liabilities (NDTL) as guided by the RBI Circular and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) up to another 15 per cent of NDTL while the denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities and other cash outflows net of cash inflows in next 30 day period. The denominator i.e. cash outflows comprise current and savings deposits, term deposits from all counterparties, bank deposits maturing within next 30 days and other contractual outflows including other liabilities. These cash outflows netted off against cash inflows from loan repayment and other contractual inflows within next 30 days.

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Fincare Small Finance Bank Limited

Schedule 13 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

10.11 - Net Stable Fund Ratio

Quantitative information on Net Stable Fund Ratio (NSFR) is given below:

(₹ in Crore)	Quarter ended 31 December 2021				Quarter ended 31 March 2022					
	Unweighted value by residual maturity	No maturity ¹⁷			Unweighted value by residual maturity	No maturity ¹⁷				
	< 6 months	6 months to < 1 yr	1 to 2 yr	Weighted value	< 6 months	6 months to < 1 yr	1 to 2 yr	Weighted value		
ASF Item										
1 Capital: (2+3)	1,145	-	-	175	1,320	-	-	175	1,377	
2 Regulatory capital	1,145	-	-	175	1,320	-	-	175	1,377	
3 Other capital instruments	-	-	-	-	-	-	-	-	-	
4 Retail deposits and deposits from small business customers: (5+6)	-	520	441	2,996	3,767	-	614	440	3,175	4,026
5 Stable deposits	-	-	-	-	-	-	-	-	-	
6 Less stable deposits	-	520	441	2,996	3,767	-	614	440	3,175	4,026
7 Wholesale fundings: (8+9)	-	1,114	970	1,973	2,300	-	1,294	1,522	2,173	2,849
8 Operational deposits	-	-	-	-	-	-	-	-	-	
9 Other wholesale funding	-	1,114	970	1,973	2,300	-	1,294	1,522	2,173	2,849
10 Other liabilities: (11+12)	390	-	-	-	-	306	-	-	-	
11 NSFR derivative liabilities	-	-	-	-	-	-	-	-	-	
12 All other liabilities and equity not included in the above categories	390	-	-	-	-	306	-	-	-	
13 Total ASF (1+4+7+10)	1,544	1,634	1,411	5,144	7,367	1,907	1,970	5,522	6,252	
RBF Item										
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	63	-	-	-	64	-	
15 Deposits held at other financial institutions for operational purposes	54	-	-	-	7	12	-	-	6	
16 Performing loans and securities: (17+18+19+21+22)	-	2,241	1,029	2,766	4,275	-	2,340	1,731	3,073	4,645
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	30	2	0	7	-	10	5	11	15
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PGIEs, of which:	-	2,142	1,502	2,149	3,679	-	2,290	1,652	2,501	3,603
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	
21 Performing residential mortgages, of which:	-	61	65	619	569	-	70	74	701	667
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-	-	-	-	-	
24 Other assets: (sum of rows 25 to 29)	-	-	-	-	-	-	-	-	-	
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-	-	-	-	-	
27 NSFR derivative assets	-	-	-	-	-	-	-	-	-	
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-	-	-	-	-	
29 All other assets not included in the above categories	420	50	-	590	1,042	490	274	55	534	1,167
30 Off-balance sheet items	64	-	-	-	3	164	-	-	6	
31 Total RBF (14+15+16+20+21+22+23+24+25+26+27+28+29+30)	-	-	-	5,360	-	-	-	5,910	-	
32 Net Stable Funding Ratio (%)	-	-	-	137.05%	-	-	-	138.61%	-	

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

Qualitative Disclosure around NSFR

The Net Stable Funding Ratio (NSFR) is a significant component of the Basel III norms. Post Global Financial Crisis, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. BCBS introduced 'Basel III: International framework for liquidity risk measurement, standards and monitoring' in December 2010 which presented a global regulatory standard on liquidity viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for measuring and monitoring liquidity profile of the Banks. Subsequently, the Reserve Bank of India introduced detailed guidelines for measuring LCR and NSFR.

The NSFR promotes resilience over a long-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. The Asset Liability Management (ALM) Policy approved by the Board covers overall governance around liquidity profile of the Bank. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance limits set by the Board.

The guidelines for NSFR were effective from December 1, 2021. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. 'Available stable funding' (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ('Required Stable Funding') (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by the Bank. The minimum NSFR requirement set out in the RBI guideline is 100%, the Bank has maintained well above the RBI requirement.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements (All amounts in ₹ lakhs except otherwise stated)

18.12 - Exposures

A. Exposure to Real Estate Sector⁴

Particulars	As on 31 March 2022	As on 31 March 2021
(j) Direct exposure		
a) Residential Mortgages ¹	41,356	8,969
PSL (Rs. 23,778 lakhs as on 31 March 2022 and Rs. 6,555 as on 31 March 2021)		
b) Commercial Real Estate ²	-	-
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures		
i. Residential	-	-
ii. Commercial Real Estate	-	-
ii) Indirect Exposure ³	-	-
Total	41,356	8,969

¹ Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans eligible for inclusion in priority sector advances shall be shown separately. Exposure would also include non-fund based (NFB) limits.

² Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.

³ Fund based and non-fund-based exposures on National Housing Bank.

⁴ Loan against property (given for the general business purpose other than real estate) secured against properties having exposure of Rs. 1,00,082 lakhs have not been considered in real estate exposure (previous year – Rs.65,626 lakhs).

B. Exposure to capital market

As at 31 March 2022 and 31 March 2021, the Bank does not have any exposure to capital market.

C. Factoring exposures

As at 31 March 2022 and 31 March 2021, the Bank does not have any factoring exposure.

D. Risk category wise country exposure

The Bank's exposures are concentrated in India only, hence country risk exposure as at 31 March 2022 and 31 March 2021 is 'Nil'.

E. Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the Bank

During the year ended 31 March 2022 and 31 March 2021, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under the extant RBI guidelines.

F. Unsecured advances

Particulars	As on 31 March 2022	As on 31 March 2021
(j) Total unsecured advances of the bank	524,352	409,041
(k) Out of (j), amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
(l) Estimated value of such intangible securities	-	-

G. Intra group exposure

The Bank does not have any intra group advances, hence intra group exposure as at 31 March 2022 and 31 March 2021 is 'Nil'.

H. Unhedged Foreign currency Exposure

The Bank does not have any unhedged foreign currency exposure as at 31 March 2022 and 31 March 2021.

I. Details of loans transferred / acquired under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021

During the year ended 31 March 2022 and 31 March 2021, the Bank has not transferred any non-performing assets (NPAs) or transferred any Special Mention Account (SMA) and loan not in default or acquired any loans not in default through assignment or acquired any stressed loans or purchased non-performing financial assets from other banks or sold non-performing financial assets to other banks.

18.13 - Disclosure of Penalties imposed by the RBI

No penalties have been levied on the Bank by the RBI during the year ended 31 March 2022 and 2021.

18.14 - Employee benefits

A. Gratuity

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
The amounts recognised in the Profit and Loss account are as follows:		
Service cost	447	328
Interest cost	78	61
Expected return on plan assets	(71)	(49)
Net actuarial gain on plan assets	(15)	(177)
Post service cost	-	1
Expenses recognised in the Profit and Loss account	437	164

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Hincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements (All amounts in ₹ lakhs except otherwise stated)

18.14 - Employee benefits (cont'd)

A. Gratuity (cont'd)

Particulars	As on 31 March 2022	As on 31 March 2021
The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	1,576	1,186
Less: Fair value of plan assets as at the end of the year	1,154	1,039
Net liability recognised in the Balance Sheet	422	147
Changes in the present value of defined benefit obligation:		
Defined benefit obligation at the beginning of the year	1,186	1,068
Service cost	447	326
Interest cost	76	61
Actuarial gain	(27)	(177)
Benefits paid	(106)	(84)
Defined benefit obligation at the end of the year	1,576	1,186
Changes in the fair value of plan assets:		
Fair value at the beginning of the year	1,039	647
Expected return on plan assets	71	49
Actuarial Gain(loss)	(12)	(0)
Contributions	162	390
Employer direct benefit payments	-	38
Benefits paid	(106)	(84)
Admin expenses/taxes paid from plan assets	-	(1)
Fair value as at the end of the year	1,154	1,038
Assumptions used in the above valuations are as under:		
Discount rate	7.12%	6.67%
Expected return on plan assets	6.67%	6.03%
Future salary increase	10.00%	10.00%
Attrition rate	30.00%	30.00%
Retirement age (years)	60 Yrs	60 Yrs

Experience adjustments:

Particulars	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018
Defined benefit obligation	1,576	1,186	811	327	200
Less: Plan assets	1,154	1,039	143	144	135
Excess/(Deficit)	422	147	468	183	65
Experience adjustments on liabilities - gain / (loss)	22	22	1	(12)	30
Experience adjustments on assets - (gain) / loss	(12)	(1)	(9)	1	(7)

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the year ended 31 March 2022 amounted to ₹1,746 lakhs (31 March 2021 : ₹ 1,275 lakhs).

C. Compensated absences

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at 31 March 2022 is ₹ 1,275 lakhs (31 March 2021: ₹ 1020 lakhs).

Assumptions used in the above valuations are as under:	As at 31 March 2022	As at 31 March 2021
Discount rate	7.12%	6.67%
Future salary increase	10.00%	10.00%

18.15 - Provision and contingencies

Provision and contingencies recognised in the Profit and Loss account comprise:

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Provision for Non-Performing Investments	-	-
Provision for non-performing assets (includes bad debts written off ₹ 36,951 lakhs (31 March 2021: ₹ 3,393 lakhs))	36,610	20,961
Provision made towards income tax		
- current tax	2,339	5,960
- deferred tax (credit) (refer schedule 18.24)	(2,651)	(2,632)
- MAT credit entitlement	-	-
Provision for standard assets	(5,136)	(2,979)
Provision for restructured assets (refer schedule 18.4C)	10,672	3,814
Provision for other contingencies	396	(89)
	42,220	26,025

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.16 - Disclosure of complaints

A. Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
I. Complaints received by the bank from its customers		
Number of complaints pending at beginning of the year	8	39
Number of complaints received during the year	296	531
Number of complaints disposed during the year	300	584
Of which, number of complaints rejected by the bank	22	38
Number of complaints pending at the end of the year	4	8
II. Maintainable complaints received by the bank from Office of Ombudsman		
I. Number of maintainable complaints received by the bank from Office of Ombudsman	107	144
a) Number of complaints resolved in favour of the bank from Office of Ombudsman	111	156
b) Number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	3	3
c) Number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	4

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

II. Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-
--	---	---

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme

B. Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Year ended 31 March 2022					
I. ATM/Debit cards	-	44	(88%)	-	-
II. Loans and advances	2	44	59%	1	-
III. Internet/Mobile/Electronic banking	-	41	(37%)	1	-
IV. Levy of charges without prior notice/excessive charges/foreclosure charges	1	13	(36%)	-	-
V. Staff behaviour	-	9	125%	1	-
VI. Others	3	147	(49%)	1	-
Total	8	296		4	-
Year ended 31 March 2021					
I. ATM/Debit cards	7	129	(10%)	-	-
II. Loans and advances	1	26	53%	2	-
III. Internet/Mobile/Electronic banking	4	65	46%	-	-
IV. Levy of charges without prior notice/excessive charges/foreclosure charges	6	21	(60%)	1	-
V. Staff behaviour	-	4	(67%)	-	-
VI. Others	21	266	23%	3	1
Total	39	531		8	1

18.17 - Letter of comfort

The Bank has not issued letter of comfort during the year ended 31 March 2022 and 31 March 2021.

18.18 - Bancassurance Business

The fees or commission earned in respect of insurance/mutual fund broking business.

Particulars	As at 31 March 2022	As at 31 March 2021
Income for selling life insurance policies	1,207	794
Income from selling non-life insurance policies	79	85
Income from selling mutual fund product	-	-

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Hincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
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18.19 - Off Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms as on 31 March 2022 and 31 March 2021.

18.20 - Disclosure on Remuneration

A) Qualitative Disclosures

(a) Information relating to the composition and mandate of the Remuneration Committee.
The Nomination and Remuneration Committee (NRC) of the Board is the main body that sets the principles, parameters and governance framework of the remuneration policy and also assists the Board to fulfil its responsibility that remuneration policy and practices, reward, fairly and responsibly, in relation to the Bank and individual performance.

As on 31 March 2022, the NRC had four members of which three are independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

The Bank did not take any advice from an external consultant on any area of remuneration for the year ended 31 March 2022

Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

Pursuant to the guidelines issued by RBI, the Compensation Policy of the Bank (Version 1) was approved by the Board on 16 June 2020 and the same covers all employee of the Bank.

Type of employees covered and number of such employees

All permanent employees of the Bank, categorised into Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as at 31 March 2022 (Payroll cut-off date) was 11,056.

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2019-20/69 DOR.Appt.No.23/29.67/001/2019-20 dated 04 November 2019 (the RBI guidelines).

The Remuneration policy of the Bank is designed with a view to

i. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.

ii. ensure that a reasonable balance is maintained in terms of composition of remuneration, both,
a. performance-linked - fixed and variable components

b. time horizon linked - immediate and long term retention components

iii. Ensure that remuneration is linked to nature of role played by the individual in the Bank (i.e., Chief Executive Officer, MRT, Control function staff or Others)

Effective governance of compensation: The NRC has oversight over compensation to KMP as well as MRT.

The Remuneration policy of the Bank is designed with a view to :

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has designed the remuneration composition based on role of the individual in the Bank.

-For Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used.

-For Control function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their individual/department quality and performance goal achievement. The Bank seeks to align remuneration with financial and non-financial performance indicators.

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: The updated remuneration of the bank (Version 3) was approved by Board of the Bank in Jun 2021

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual/department performance and is not linked to any business outcomes.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank Chief Executive Officer and MRT, considers adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risks difficult to measure: The evaluation process incorporates both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinements/improvement of the risk management framework, effective management of stakeholder relationships and continuity of key members of senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, in addition to business performance, the NRC takes into account adherence to the risk and compliance framework .

Discussion on remuneration : With the adoption of new compensation policy in line with RBI guidelines, there is greater emphasis on linking variable pay of MRT to risk taking and to bring a reasonable balance in their fixed and variable pay. Also, the elements of Deferral, Malus and Clawback have been adopted for MRT.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.20 - Disclosure on Remuneration (Cont'd)

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include reasonable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital quotient and customer-centricity.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees is based on parameters viz. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for MRT is Bank goals - 20%, Functional goals-40%, Competency Rating - 20% and Subjective Assessment - 20%.

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting. :

As per policy, A minimum of 60% of Total Variable Pay shall be under deferral arrangement. At least 50% of the Cash component of Variable Pay shall be under deferral. Also, in case Cash Variable Pay for a performance period is below Rs.25 lakhs, deferral may not be applicable. The NRC shall take a decision on the treatment of the deferral on an annual basis. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results. For variable pay pertaining to FY-21, paid in FY22, 100% of non-cash variable pay and 50% of cash pay was under deferral.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining weak performance metrics : The variable compensation paid to Chief Executive Officer and MRT is linked to achievement of Bank level goals and functional goals. As per policy, the deterioration in financial performance of the Bank shall lead to contraction in variable pay, which can even be reduced to zero. While deterioration on account of uncontrollable factors may not necessarily be considered for contraction in variable compensation, the NRC may take a decision on the percent of contraction based on available information. Further deferred vesting, malus and clawback shall be applicable to variable pay component of Chief Executive Officer and MRT to facilitate adjusting remuneration in the event that performance metrics are weak .

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance: Adjustments to remuneration on account of long term performance is included in the Variable Pay philosophy. Variable Pay shall have a mix of cash and non cash components for Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options. As per policy, in general, 40% of non cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: As part of the new compensation policy, malus and clawback is applicable to all categories of staff. The variable shall be subject to malus and clawback arrangements in the event of subdued or negative financial performance. Malus shall cover future vesting only and shall not reverse vesting after it has already occurred. In the event of willful and deliberate misrepresentation or misreporting of financial performance of the Bank in any year, clawback shall be applicable. The decision shall be taken by the NRC after taking into account all material facts. A lookback period of 3 years from the date of vesting shall be applicable to the clawback clause.

(f) Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:

The forms of variable remuneration used by the Bank are:

- a. Performance Incentives – used for rewarding teams (primarily Business functions) for business growth, customer count/satisfaction, asset quality, audit score etc.
- b. Performance Pay – used for rewarding performance against quarterly/yearly goals/key risk areas.
- c. Share-linked Instruments - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non cash components for Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options.
- d. Long Term Retention Bonus (LTRB) – a tool for retention and improved morale - While short-term retention bonus plan continues to be in use, LTRB is discontinued w.e.f. 01 March 2019.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.20 - Disclosure on Remuneration (cont'd)

B) Quantitative Disclosures (covers only Chief Executive Officer/ Material Risk Takers)

Particulars	Year ended	Year ended
	31 March 2022	31 March 2021
a) i - Number of meetings held by the Remuneration Committee during the year	Twelve	Twelve
ii - remuneration paid to its members.	Nil	Nil
b) Number of employees having received a variable remuneration award during the year. ²	17 employees received Performance pay and 16 employees were granted employee stock options.	15 employees received Performance pay and 1 employee was granted employee stock options.
c) Number and total amount of sign on awards made during the financial year	Nil	Nil
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
e) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
f) Total amount of outstanding deferred remuneration		
- Cash (₹ in lakhs)	291	207
- Shares	Nil	Nil
- Share linked instruments (ESOPs) ³ (Nos.)	1,310,448	123,484
- Others	Nil	Nil
g) Total amount of deferred remuneration paid out during the year	Nil	Nil
h) Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred.		
- Fixed pay	1,550	1,437
- Variable pay		
- Non deferred ⁴ (₹ in lakhs)	291	158
- Deferred ⁵ (ESOPs) ⁶	1,310,448	123,484
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
j) Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil	Nil
k) Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil	Nil
l) Number of MRTs identified ⁷	17	15
m) Number of cases where malus has been exercised	Nil	Nil
n) Number of cases where clawback has been exercised	Nil	Nil
o) Number of cases where both malus and clawback have been exercised	Nil	Nil
p) The mean pay for the bank as a whole (excluding sub-staff) ⁸	3.25	3.39
q) Deviation/Ratio of the pay of Managing Director from/to the mean pay ⁹ (₹ in lakhs/times)	2909/1x	28565.13X

C) Disclosure on remuneration to Non-Executive Directors

The Bank has paid remuneration to its Non-executive director by way of sitting fees for attending meetings of the Board and its committees. An amount of ₹143 lakhs (31 March 2021: ₹ 113 lakhs) was paid as sitting fees to the Non-Executive Directors during the year.

Notes

- Amount includes fixed pay and variable paid during the year but does not include value of ESOPs.
- The count includes MD & CEO. During the year, MRT other than MD & CEO were granted employee stock options for performance Period FY 21
- Amount for FY 21 includes deferred variable pay (Cash) for MD & CEO and MRT. Amount for FY 22 includes deferred Variable pay cash for MRT only. Proposal for MD & CEO yet to submitted to RBI
- Includes employee stock option granted in FY 22 for the performance Period FY 21 or earlier
- Previous year amount includes payout for the performance period FY 21 paid in FY 22 and Current year amount includes payout for performance period FY 22 to be paid in FY 23. The amount for FY 21 also includes Variable Pay cash paid in FY 22 to MD & CEO. Proposal for Variable Pay for FY 22 for MD & CEO yet to be submitted to RBI.
- This includes ESOP granted to MRT including MD & CEO for Performance period FY 21 or earlier
- This includes MRT and MD & CEO
- Mean is computed as (Fixed Pay for Active Staff as on 31-Mar-22/Active HC as on 31-Mar-22)
- Computed as Fixed Pay for MD & CEO / Mean pay as computed above)
- Pursuant to a Rights Issue by the bank, the number of outstanding options for FY 18 and FY 19 were revised (4618073 & 75,29673) and the exercise price was reduced to 2653 and 2800 respectively

18.21 - Employee Share Based Payments:

At their meetings held on 29 March 2019 and 10 May 2019, the Board and the shareholders of the Bank respectively passed a resolution approving the "Fincare Small Finance Bank Stock Option Scheme"(as amended from time to time) (hereinafter referred as 'the scheme') to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director of the Bank, such number of employee options, not exceeding 1,000,000, that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Bank.

The eligible employees under this scheme are determined by the NRC at its sole discretion. The NRC would determine the vesting schedule of any grant made under this scheme and the same would be intimated to the eligible employee at the time of the grant. An eligible employee shall be entitled to exercise the vested option(s) and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price intimated at the time of the grant.

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Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.21 - Employee Share Based Payments(Cont'd)

ESOP-2018-FSFB Plan:

a) The details of activity under ESOP-2018-FSFB Plan have been summarised below:

	Year ended 31 March 2022		Year ended 31 March 2021	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year *	1,310,448	108.91	123,484.00	280.85
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	1,310,448	108.91	123,484.00	280.85
Out of the above exercisable at the end of the year	438,804	108.91	40,750.00	280.85

* The Bank had granted 1,98,297 options for FY 20 to the MD & CEO which has been accounted during the year after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Further, the Bank has granted 13,10,448 options pertaining to FY 21 to MD & CEO and MRT.

b) The details of exercise price for stock options outstanding at the end of the year are:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)	Weighted average exercise price (₹)
50-90	144,564	2.06	88.33
90-100	422,184	2.62	95.29
100-110	1,310,448	3.09	108.91
	1,877,196	2.90	102.87

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes options pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Year ended 31 March 2022	Year ended 31 March 2021
Weighted average exercise price (₹)	102.87	280.85
Weighted average share price (₹)	102.87	280.85
Expected volatility	43.38% - 43.49%	33.50% - 36.40%
Life of the options granted (Vesting and exercise period)		
- At the grant date	3.50 yrs - 5.50 yrs	3.50 yrs - 5.50 yrs
Risk free interest rate	5.22% - 5.07%	6.46% - 7.19%
Expected Dividend rate	-	-

As Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of stock price using stock price volatility information of other peers from BSE for the latest historical period as per time to maturity.

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

Particulars	31 March 2022	31 March 2021
Total employee compensation cost pertaining to share-based payment plans	538	100
Compensation cost pertaining to equity-settled employee share-based payment plan included above	538	100
Liability for employee stock options outstanding as at year end	838	100

18.22 - Disclosures relating to securitisation

Particulars	As at 31 March 2022	As at 31 March 2021
a) No of SPEs holding assets for securitisation	9	9
b) Total amount of securitised assets as per books of the SPEs	5,712	5,740
c) Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
i) Off-balance sheet exposures		
First loss	-	-
Others	-	-
ii) On-balance sheet exposures		
First loss	327	327
Others	-	-
d) Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	-
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	-
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-

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Schedule 18 - Notes to the financial statements (All amounts in ₹ lakhs except otherwise stated)

18.22 - Disclosures relating to securitisation (Cont'd)

Particulars	As on 31 March 2022	As on 31 March 2021
a) Sale consideration received for the securitised assets and gain/loss on	-	-
f) Form and quantum (outstanding value) of services provided by way	-	-
g) Performance of facility provided. Please provide separately for each facility		
- Amount paid	-	-
- Repayment received	-	-
- Outstanding amount	-	-
h) Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc	-	-
i) Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc.	-	-
j) Investor complaints	-	-
(i) Directly/indirectly received and:	-	-
(ii) Complaints outstanding	-	-

18.23 - Depositor Education and Awareness Fund

During the year ended 31 March 2022 and 31 March 2021 no amount has been transferred to Depositor Education and Awareness Fund.

18.24 - Deferred tax assets

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred tax asset arising on:		
Depreciation and amortisation	598	480
Provision for employee benefits:		
Compensated absences	321	257
Gratuity	106	58
Long Term Retention Bonus (LTRB)	27	103
Others	155	9
Deferred rent	4	-
Provision on portfolio loans	3,091	5,750
	6,302	6,651

18.25 - Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account.

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the Profit and Loss Account.

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Lease payments recognised in the profit and loss account.	3,477	2,680

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due	As at 31 March 2022	As at 31 March 2021
Within one year	347	218
Later than one year but not later than five years	257	423
Later than five years	15	177

18.26 - Micro small and medium enterprises

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
i) Principal amount remaining unpaid (but within due date as per the MSMED Act)	0	39
ii) Interest due thereon remaining unpaid	-	-
iii) Interest paid by the Bank in terms of Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
v) Interest accrued and remaining unpaid	-	-
vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act, 2006'. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.27 - Earnings per equity share

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Net profit attributable to equity shareholders	887	11,314
Weighted average number of shares outstanding during the year used for computing basic earnings per share (no.)	231,967,571	204,172,596
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (no.)	231,967,571	204,172,596
Basic earnings per share	0.38	5.55
Diluted earnings per share	0.38	5.55

18.28 - Inter-Bank Participation Certificate (IBPC) transactions

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Year ended 31 March 2022 ₹	Year ended 31 March 2021 ₹
i) Aggregate value of IBPCs transaction during the year ¹	49,400	80,450
ii) Aggregate consideration received	49,400	80,450
iii) Aggregate gain recorded	-	-
iv) IBPCs outstanding	20,000	52,450

¹ aggregate value of the own portfolio pool identified for IBPC transaction ₹ 123,500 lakhs (2021 : ₹ 201,125 lakhs).

18.29 - Corporate social responsibility (CSR)

a) Gross amount required to be spent by the Bank during year ended 31 March 2022 is ₹ 306 lakhs (31 March 2021: ₹ 149 lakhs) under section 135 of the

b) Amount spent during the year on:

Particulars	In cash	Yet to be paid In cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	306	-0	306
	<u>306</u>	<u>-0</u>	<u>306</u>

Amount spent during the previous year on:

Particulars	In cash	Yet to be paid In cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	149	-	149
	<u>149</u>	<u>-</u>	<u>149</u>

18.30 - Payment of DICGC Insurance Premium

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Payment of DICGC Insurance Premium	580	475
Arrears in payment of DICGC premium	-	-

18.31 - Priority Sector Lending Certificate (PSLC) Purchased and Sold during the Year

During the year ended 31 March 2022, the Bank sold PSLCs amounting to ₹ Nil (2021 : ₹ 7,500 lakhs) under agriculture category, ₹ 2,80,000 lakhs (2021: ₹ 267,500 lakhs) under small and marginal farmers category. The income earned on the PSLCs sold during the year is ₹ 5,549 lakhs (2021 : ₹ 4,006 lakhs).

During the year ended 31 March 2022, the Bank bought PSLCs amounting to ₹ 59,000 under Micro enterprises category. The expense incurred on the PSLCs bought during the year is ₹ 952 lakhs.

During the year ended 31 March 2021 the bank had not bought PSLCs.

18.32 - Implementation of IFRS converged Indian Accounting Standards (Ind-AS)

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a Press Release was issued by the MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (IND AS) converged with International Financial Reporting Standards (IFRS) for banks. As per earlier instructions, banks in India were required to comply with the IND AS for financial statements for accounting periods beginning from April 1, 2015 onwards, with comparatives for the periods ending March 31, 2015 or thereafter. Progressing towards IND AS, the Bank had prepared pro forma financials as on June 30, 2017 as per extant regulatory guidelines and submitted the same to the RBI. On April 06, 2018, the RBI had announced deferment of implementation date by one year with IND AS being applicable to banks for accounting periods beginning April 01, 2019 onwards. In preparation for the same, the Bank has been submitting quarterly pro-forma financials to the RBI from quarter ended June 30, 2018. On March 22, 2019, the RBI has announced deferment of the implementation of IND AS by banks till further notice; however, the Bank continues to submit to the RBI pro-forma financials on half year basis.

18.33 - Marketing and distribution

The Bank has received fees of ₹ 36 lakhs (31 March 2021: ₹ Nil) with respect to marketing and distribution function (excluding bancassurance business) during the financial year ended 31 March 2022.

18.34 - Amortisation of expenditure on account of enhancement in family pension of employees

During the year ended 31 March 2022 and 31 March 2021, the Bank has not done any expenditure towards enhancement of family pension of employee.

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 10 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.35 - Funding transactions

To the best of our knowledge and belief, the Bank, as part of its authorised normal business, grants loans and advances, makes investment, to and accepts deposits and borrowings from its customers, other entities and persons. These transactions are part of Bank's authorised normal business, which is conducted ensuring adherence to regulatory requirements.

Other than the transactions described above

(a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.

(b) The Bank has not received any funds from any person(s) or entity(ies) ("Funding Party") with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.36 - Details of Large Exposures Framework limits exceeded by the Bank

As per regulatory guidelines, with effect from April 1, 2019 in case of single counterparty, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20 percent of the bank's available eligible capital base at all times. In exceptional cases, Board of bank may allow an additional 5 percent exposure of the bank's available eligible capital base. In case of group of connected counterparties, the sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 20 percent of the bank's available eligible capital base at all times.

The eligible capital base for this purpose is the effective amount of Tier 1 capital fulfilling the criteria defined in Master Circular on Basel II – Capital Regulation / Master Direction on 'Basel II Capital Regulations' as per the last audited balance sheet.

During the years ended March 31, 2022 and March 31, 2021, the Bank has not exceeded the prudential exposure limits as laid down by the RBI guidelines under Large Exposure Framework.

18.37 Previous year's figures have been regrouped / reclassified, whenever considered necessary, in order to make them comparable with figures for the current year. Pursuant to the requirements of 'Master Direction on Financial Statements – Presentation and Disclosures' issued by RBI dated August 30, 2021, recoveries from written off accounts hitherto included as part of 'Other Income' have been classified as a credit to 'Provision and Contingencies'; there is no change in the Net Profit for the period.

These are the notes appended to and forming part of the financial statements for the year ended March 31, 2022

As per our report of even date.

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049WE300004

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited

per Sarvesh Warty
Partner
Membership No.: 121411

Mumbai
May 26, 2022

Rakesh Yadav
MD and CEO
DIN: 00111379

Bengaluru
May 26, 2022

Pranod Kabra
Director
DIN: 00253403

Mumbai
May 26, 2022

Vinay Bajaj
Director
DIN: 07518339

Mumbai
May 26, 2022

Kavya Doshi
Chief Financial Officer

Bengaluru
May 26, 2022

Shelaly Kothari
Company Secretary
M No. F7696

Bengaluru
May 26, 2022

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Walker Chandiook & Co LLP

Walker Chandiook & Co LLP

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One International Center,
3 B Marg, Prabhadevi (W),
Mumbai - 400013
Maharashtra, India
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Independent Auditor's Report

To the Members of Fincare Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **Fincare Small Finance Bank Limited** ('the Bank'), which comprise the Balance Sheet as at **31 March 2021**, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view, in conformity with the accounting principles generally accepted in India including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Bank as at 31 March 2021, its profit and its cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic. In view of these uncertainties, the impact of the pandemic on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time.

Our opinion is not modified in respect of this matter.



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Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiook & Co LLP is registered with limited liability with identification number AAC-3006 and has its registered office at L-41, Connaught Circus, Outer Circle, New Delhi, 110001, India

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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Information Technology system for the financial reporting process	
Key audit matter	How our audit addressed the key audit matter
<p>The Bank is highly dependent on its information technology (IT) systems for carrying on its operations which require large volume of transactions to be processed daily in numerous locations. Further, the Bank's accounting and financial reporting processes are dependent on the automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, provision on loans, deposits, interest expense on deposits, investments, income on investments amongst others. The controls implemented by the Bank in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment across applications, networks, database and operating systems. Further, we also focused on key automated controls relevant for financial reporting.</p> <p>Accordingly, since our audit strategy included focus on key IT systems and automated controls due to pervasive impact on the financial statements; we have determined the same as a key audit matter for current year audit.</p>	<p>We included specialized IT auditors as part of our audit team to perform audit procedures which included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Bank's IT related control environment and conducted risk assessment and identified IT applications, networks, databases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period and tested those changes that had a significant impact on financial reporting; • Tested the design and operating effectiveness of the Bank's IT controls over the IT applications as identified above; • Tested IT general controls particularly, logical access, changes management and aspects of IT operational controls. Tested that requests for access to systems were appropriately reviewed and authorized; tested controls around Bank's periodic review of access rights; inspected requests of changes to systems for appropriate approval and authorization; • Tested related interfaces, configurations and other application layer controls identified during our audit and report logic for system generated reports relevant to the audit mainly for loans, interest income, provision for loan assets, deposits, interest expense on deposits, investments, interest income on investments amongst others, for evaluating completeness and accuracy; • Where deficiencies were identified, tested compensating controls or performed alternative procedures.



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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

Identification and provisioning for non-performing assets ('NPAs') including implementation of COVID-19 related measures

As at 31 March 2021; the Bank reported total gross advances (gross of NPA provision) of INR 550,630 lakhs, total gross- non-performing advances (NPAs) of INR 35,359 lakhs and a provision for NPAs of INR 20,518 lakhs. The provision coverage ratio as at 31 March 2021 is 73.68%.

Refer note 2.4 for the accounting policy relating to NPA and note 18.4, 18.10E and 18.16 for the related disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
------------------	--

The provisioning for NPAs is made in accordance with the aforesaid accounting policy which is higher than the RBI Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (RBI IRAC norms). Based on our risk assessment, following significant factors are considered in assessment for identification and provision of NPAs:

- Completeness and timing of recognition of defaults in accordance with the criteria set out in the RBI IRAC norms;
- Measurement of provision being dependent on the ageing of overdue balances, secured/unsecured status of advances and valuation of collaterals.

Implementation of COVID-19 related measures

During the current year, RBI has announced various relief measures for the borrowers which were implemented by the Bank such as "COVID 19 Regulatory Package- Asset Classification and Provisioning" announced by the RBI announced by the RBI on 27 March 2020, 17 April 2020 and 23 May 2020 and RBI circular on "Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package" dated 07 April 2021 (collectively referred to as 'the RBI circulars'), and "Resolution Framework for COVID-19 related Stress" (the 'Resolution Framework') issued by the RBI on 6 August 2020, which were collectively considered by the management in identification and provisioning of NPAs.

Implementation of the RBI circulars also required the Bank to implement necessary changes in its information technology systems. On the basis of estimates made by the management, an additional provision for NPAs amounting to INR 5,907 lakhs has been recognised by the Bank owing to the potential impact of COVID-19 as on 31 March 2021 based on the information available as on date.

Our audit procedures included, but were not limited to the following:

- Evaluated the Bank's accounting policies for identification and measurement of NPA in accordance with RBI IRAC norms;
- Assessed the design and tested the operating effectiveness of the key controls over completeness and accuracy of the loan provision computations;
- Tested the automated controls and system generated reports used by the management for identification and measurement of NPAs in line with the RBI IRAC norms;
- Re-performed the calculation of provision for NPAs for all loan portfolios in accordance with the accounting policy adopted by the Bank including asset classification and ensured completeness of underlying data. Compared such outcome to that prepared by the management and investigated the differences, if any;
- Verified on a sample basis that the loan write-offs during the year were in line with the approved Board policy;
- Obtained an understanding of the Board approved policies formulated pursuant to the RBI circulars and Resolution Framework and ensured that such policies were in accordance with such RBI requirements;
- Tested on a sample basis that the restructuring of loans done during the year under the Resolution Framework was approved and implemented, and provisions made on such restructured loans in accordance with the Bank's board approved policy and the Resolution Framework;



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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

<p>Considering the significance of the above matter to the financial statements and significant auditor attention required to test the identification of NPAs and management estimates around provision on NPAs followed with additional complexities involved in the current year owing to the impact of COVID-19; this has been identified as key audit matter for current year audit.</p>	<ul style="list-style-type: none">• Verified on a sample basis that the moratorium granted to the customers during the year was in accordance with the Board approved policy for various products. For such samples selected we further tested that identification of NPAs, provisions created, and asset classification for such loans were in accordance with the requirements of the RBI circulars and RBI IRAC norms;• Obtained the management analysis for the additional provision created during the year owing to the potential impact of COVID-19 and verified the appropriateness of the management estimates and assumptions used considering our understanding of the risk profiles of the customers of the Bank and other relevant publicly available macro-economic factors pertaining to impact of COVID-19;• Assessed the appropriateness and adequacy of disclosures as per relevant accounting standards including disclosures relating to RBI circulars and Resolution Framework.
--	--

Information other than the Financial Statements and Auditor's Report thereon

7. The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report including the Pillar III Disclosure under the New Capital Adequacy Framework (Basel II disclosures), but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

Responsibilities of Management and Those Charged with Governance for the Financial Statements

8. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
10. Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for explaining our opinion on whether the Bank has adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and section 133 of the Act read with rule 7 of the Companies (Rules), 2014 (as amended).
17. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
- a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c) the financial accounting systems of the Bank are centralised, and therefore, accounting returns for the purpose of preparing the financial statements are not required to be submitted by the branches. We have however visited 27 branches during the course of our audit.
18. With respect to the matter to be included in the auditor's report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under the Banking Regulation Act, 1949; the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.



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Chartered Accountants
Office in Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandek & Co LLP is registered with limited liability with identification number AAC-3085 and has its registered office at L-41, Connaught Circus, Outer Circle, New Delhi, 110051, India

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

19. Further, as required by section 143 (3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying financial statements;
 - b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c) the financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls with reference to the financial statements of the Bank as on 31 March 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date and our report dated 14 June 2021 as per Annexure I expressed an unmodified opinion; and
 - g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Bank does not have any pending litigations which would impact its financial position as at 31 March 2021;
 - ii. the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2021;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended 31 March 2021; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAADO5735

Place: Mumbai
Date: 14 June 2021

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Chartered Accountants
Office in Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

Annexure I to the Independent Auditor's Report of even date to the members of Fincare Small Finance Bank Limited on the financial statements for the year ended 31 March 2021

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (l) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Fincare Small Finance Bank Limited ('the Bank') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Bank as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Bank's business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements .

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A bank's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions



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Chartered Accountants

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Fincare Small Finance Bank Limited
Independent Auditor's Report on the Audit of the Financial Statements

Annexure I (Contd)

of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For **Walker Chandok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAADO5735

Place: Mumbai
Date: 14 June 2021

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Balance Sheet as at 31 March 2021


(All amounts in ₹ lakhs except otherwise stated)

	Schedule	As at 31 March 2021	As at 31 March 2020
Capital and liabilities			
Capital	1	6,361	6,361
Employees stock options outstanding		100	-
Reserves and surplus	2	95,330	84,016
Deposits	3	531,860	465,393
Borrowings	4	140,043	136,816
Other liabilities and provisions	5	22,538	19,041
Total Capital and Liabilities		796,622	711,627
Assets			
Cash and balances with Reserve Bank of India	6	103,650	106,853
Balances with banks and money at call and short notice	7	11,913	2,437
Investments	8	127,936	100,606
Advances	9	530,112	481,558
Fixed assets	10	3,619	4,036
Other assets	11	19,392	17,047
Total Assets		796,622	711,627
Contingent liabilities	12	327	1,837
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		

Schedules referred above form an integral part of the Balance Sheet

As per our report of even date


For Walker Chandok and Co. LLP
Chartered Accountants
Firm Registration No: 001076N/N500013


Manish Gajral
Partner
Membership No.: 105117

Mumbai
14 June 2021



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited


Rajesh Yadav
MD and CEO
DIN: 00111379


Bengaluru
14 June 2021


Pramod Kabra
Director
DIN: 02252403

Mumbai
14 June 2021


Vinay Bajaj
Director
DIN: 07516339

Mumbai
14 June 2021


Keyur Doshi
Chief Financial Officer

Banara
14 June 2021


Shefaly Kothari
Company Secretary
M No. F7688

Bengaluru
14 June 2021

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Profit and Loss Account for the year ended 31 March 2021

(All amounts in ₹ lakhs except otherwise stated)

	Schedule	Year ended 31 March 2021	Year ended 31 March 2020
I. Income			
Interest earned	13	125,103	107,026
Other income	14	12,738	14,546
Total Income		137,841	121,572
II. Expenditure			
Interest expended	15	65,009	45,150
Operating expenses	16	46,324	42,813
Provision and contingencies (refer note 18.16)		25,194	19,464
Total Expenditure		136,527	107,427
III. Profit/(Loss)			
Net profit for the year		11,314	14,345
Profit brought forward		0,707	(618)
Total Profit		21,021	13,727
IV. Appropriation/transfers			
Transfer to statutory reserves		2,629	3,587
Transfer to other reserves		64	433
Transfer to Government/proposed dividend		-	-
Balance carried over to the balance sheet		18,108	9,707
Total		21,021	13,727
Significant accounting policies and notes to accounts	17 & 18		
Earnings per equity share of ₹ 10 each (refer note 18.34)			
Basic (₹)		17.79	24.43
Diluted (₹)		17.79	24.43
Face value per share (₹)		10.00	10.00

Schedules referred above form an integral part of the Profit and Loss Account

As per our report of even date

For Walker Chandlok and Co. LLP
Chartered Accountants
Firm Registration No.: 001075N/N500013



Manish Gujral
Partner
Membership No.: 105117

Mumbai
14 June 2021



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited


Rajeev Yadav
MD and CEO
DIN: 00111379

Bengaluru
14 June 2021



Vinay Bajaj
Director
DIN: 07516339

Mumbai
14 June 2021


Shital Kothari
Company Secretary
M No. F7696

Bengaluru
14 June 2021



Prasad Kabra
Director
DIN: 02252403

Mumbai
14 June 2021



Kiran Doshi
Chief Financial Officer

Bareilly
14 June 2021

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Cash Flow Statement for the year ended 31 March 2021

(All amounts in ₹ lakhs except otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
A. Cash flows from/(used in) operating activities:		
Profit before tax	14,642	20,273
Adjustments for :		
Depreciation and amortization expenses	1,701	1,680
Employee Stock Option Cost	100	-
Amortisation of premium on SLR investments in HTM category	655	160
(Profit)/loss on disposal of fixed assets	(1)	7
Loan portfolio written off	3,383	4,544
Provision on portfolio loans	18,572	9,210
Provision for other contingencies	(267)	(153)
Provision/depreciation - Investments	(5)	(8)
(Profit) on sale of investment in SLR securities	(122)	(18)
Loss on sale of investment in SLR securities	99	13
(Profit) on sale of investment in mutual funds	(29)	(106)
Operating profits before working capital changes	38,768	35,612
Movement in working capital:		
Increase in deposits	66,457	261,072
Increase/(decrease) in other liabilities	4,890	(7,613)
(Increase) in investments (net)	(27,897)	(30,757)
(Increase) in advances	(68,968)	(209,490)
(Increase)/decrease in fixed deposits	(516)	6,427
(Increase) in other assets	(21)	(547)
Cash generated from operating activities	10,913	54,464
Taxes on income paid, net	(6,120)	(7,466)
Net cash generated from operating activities	4,794	46,998
B. Cash flows generated from / (used in) investing activities:		
Purchase of fixed assets	(1,292)	(2,433)
Proceeds from sale of fixed assets	9	7
Purchase of investments in mutual funds	(18,400)	(48,000)
Proceeds from sale of investments in mutual funds	18,629	48,106
Proceeds from term money lending	(3,996)	8,988
Net cash (used in)/ generated from investing activities	(5,253)	6,679
C. Cash flows generated from / (used in) financing activities:		
Proceeds from issue of equity shares	-	9,432
Proceeds from borrowing under the LAF segment	-	10,300
Proceeds from loans availed from banks and financial institutions	47,700	42,500
Repayment of loans availed from banks and financial institutions	(39,073)	(50,041)
Repayment of borrowing under the LAF segment	(4,700)	-
Proceeds from issue of non-convertible debentures	-	10,000
Redemption of non-convertible debentures	-	(4,250)
Net cash generated from financing activities	3,227	17,941
Net increase in cash and cash equivalents during the year (A+B+C)	2,758	71,558
Cash and cash equivalents at the beginning of the year	107,526	35,968
Cash and cash equivalents at the end of the year¹	110,284	107,526

¹ Includes cash and bank balances with Reserve Bank of India [refer Schedule 6], balances with Banks in current account and money at call and short notice [refer Schedule 7(i)(a) and 7(i)(b)] as on 31 March 2021 and 31 March 2020.



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Fincare Small Finance Bank Limited

Cash Flow Statement for the year ended 31 March 2021 (cont'd)

(All amounts in ₹ lakhs except otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
Components of cash and cash equivalents		
Cash and balances with Reserve Bank of India	103,850	105,853
Balances with banks and money at call and short notice	6,634	1,673
	<u>110,484</u>	<u>107,526</u>

As per our report of even date

For Walker Chandok and Co. LLP
Chartered Accountants
Firm Registration No: 301076N/NS00013



Manish Gujral
Partner
Membership No.: 105117

Mumbai
14 June 2021



For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited



Rajesh Yadav
MD and CEO
DIN: 00111379

Bengaluru
14 June 2021



Vinay Bajjal
Director
DIN: 07518339

Mumbai
14 June 2021



Shefaly Kothari
Company Secretary
M No. F7698

Bengaluru
14 June 2021



Pramod Kabra
Director
DIN: 02252403

Mumbai
14 June 2021



Keyur Doshi
Chief Financial Officer

Bangalore
14 June 2021

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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as at 31 March 2021
(All amounts in ₹ lakhs except otherwise stated)

Schedule 1 - Capital	As at 31 March 2021	As at 31 March 2020
Authorised capital 300,000,000 (31 March 2020: 100,000,000) equity shares of ₹ 10 each	30,000	10,000
Issued, subscribed and fully paid-up capital 63,610,481 (31 March 2020: 63,610,481) equity shares of ₹ 10 each	6,361	6,361
Total Capital	6,361	6,361

Notes

1 Rights and preference of equity shareholders

Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the Bank, the holders of equity shares will be entitled to receive the remaining assets of the Bank, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Schedule 2 - Reserves and surplus	As at 31 March 2021	As at 31 March 2020
I. Statutory reserve (Created pursuant to Section 17(2) of Banking Regulation Act, 1949)		
Opening balance	6,587	3,000
Additions during the year	2,629	3,567
Deductions during the year	-	-
	9,416	6,567
II. Share premium		
Opening balance	66,977	58,262
Additions during the year	-	8,715
Deductions during the year	-	-
	66,977	66,977
III. General reserves		
Opening balance	1	1
Additions during the year	-	-
Deductions during the year	-	-
	1	1
IV. Investment fluctuation reserve		
Opening balance	744	311
Additions during the year	84	433
Deductions during the year	-	-
	828	744
V. Balance in profit and loss account	18,108	8,707
Total Reserves and surplus	95,330	84,016

Schedule 3 - Deposits	As at 31 March 2021	As at 31 March 2020
A. I. Demand deposits		
i) From banks	1,035	76
ii) From others	4,568	2,919
	5,603	2,995
II. Savings bank deposits	120,755	92,511
III. Term deposits		
i) From banks	149,085	167,023
ii) From others	256,407	242,804
	405,492	409,827
Total Deposits	531,850	465,393
B. I. Deposits of branches in India	531,850	465,393
II. Deposits of branches outside India	-	-
Total Deposits	531,850	465,393



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as at 31 March 2021
(All amounts in ₹ lakhs except otherwise stated)

	As at 31 March 2021	As at 31 March 2020
Schedule 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	5,800	10,300
ii) Other banks ¹	-	3,000
iii) Other institutions and agencies	-	-
a) Government of India	-	-
b) Financial institutions ¹	114,443	103,516
iv) Borrowings in the form of bonds and debentures ¹ (excluding sub-ordinated debt)	-	-
v) Unsecured redeemable debentures/bonds (sub-ordinated debt included in Tier 2 capital)	20,000	20,000
Total Borrowings in India	140,043	136,816
II. Borrowings outside India	-	-
Total Borrowings	140,043	136,816
1 Secured borrowings included in I above is ₹ 331 lakhs (31 March 2020: ₹ 724 lakhs)		
Schedule 5 - Other liabilities and provisions		
	As at 31 March 2021	As at 31 March 2020
i. Bills payable	-	-
ii. Inter-office adjustments (net)	-	-
iii. Interests accrued	1,439	582
iv. General provision for standard assets (Refer schedule 18.4 E)	11,161	10,610
v. Others (including provisions) ¹	10,336	7,849
Total Other liabilities and provisions	22,936	19,041
I Others (including provisions)		
	As at 31 March 2021	As at 31 March 2020
Interest strip on securitisation/assignment of portfolio loans	-	477
Payable towards securitisation/assignment of loans	-	34
Provision for other contingencies	34	301
Tax deductible of source payable	483	639
Statutory liability payable	430	325
Accrued expenses:	1,872	1,886
Accrued employee expenses	1,816	1,467
Provision for gratuity (Refer schedule 18.15 A)	147	411
Provision for compensated absences (Refer schedule 18.15 C)	1,020	755
Other liabilities	4,431	1,554
	10,338	7,849
Schedule 6 - Cash and balances with Reserve Bank of India		
	As at 31 March 2021	As at 31 March 2020
i. Cash in hand (including foreign currency notes) ¹	2,625	1,807
ii. Balances with Reserve Bank of India		
i) In current account	15,822	12,346
ii) In other accounts	85,200	91,800
Total Cash and balances with Reserve Bank of India	103,650	105,953
1 The Bank does not have any foreign currency note balances as on 31 March 2021 and 31 March 2020.		
Schedule 7 - Balances with banks and money at call and short notice		
	As at 31 March 2021	As at 31 March 2020
I. In India		
i) Balances with banks		
a) In current accounts	8,834	1,673
b) In other deposit accounts ¹	1,280	764
ii) Money at call and short notice		
a) With banks	-	-
b) With other institutions	3,959	-
Total	11,913	2,437
II. Outside India		
i) In current accounts	-	-
ii) In other deposit accounts	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total balances with Banks and money at call and short notice	11,913	2,437
1 Includes ₹ 250 lakhs (31 March 2020: ₹ 250 lakhs) in marked towards term loans availed from financial institution and cash collateral amounting to Nil (31 March 2020: ₹ 406 lakhs) placed in connection with assignment / securitisation of advances.		



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as at 31 March 2021
(All amounts in ₹ lakhs except otherwise stated)

Schedule 8 - Investments	As at 31 March 2021	As at 31 March 2020
I. Investment in India in		
i) Government securities	127,936	100,696
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
Total investments in India¹	127,936	100,696
II. Investment outside India in		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Others	-	-
Total investments outside India	-	-
Total investments¹	127,936	100,696
III. Investments		
A. Investments in India		
Gross value of investments	127,936	100,704
Less: Aggregate of provision/depreciation/appreciation	(3)	(8)
Net investments	127,936	100,696
B. Investments outside India		
Gross value of investments	-	-
Less: Aggregate of provision/depreciation/appreciation	-	-
Net investments	-	-
Total investments¹	127,936	100,696

¹ Refer schedule 18.2 A - Investments

Schedule 9 - Advances (net of provisions)	As at 31 March 2021	As at 31 March 2020
A. i) Bill purchased and discounted		
ii) Cash credits, overdrafts and loans repayable on demand ¹	1,985	1,661
iii) Term loans ¹	528,147	479,897
Total advances	530,132	481,558
B. i) Secured by tangible assets (including advances against book debts)	121,071	104,589
ii) Covered by banks/Government guarantees	-	-
iii) Unsecured	409,041	376,859
Total advances	530,112	481,558
C. I. Advances in India		
i) Priority sectors	443,712	403,868
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	86,400	77,690
Total advances in India	530,112	481,558
II. Advances outside India		
i) Dues from banks	-	-
ii) Dues from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicate loans	-	-
c) Others	-	-
Total advances outside India	-	-
Total advances	530,112	481,558

¹ Net of provision for non-performing assets aggregating to ₹ 20,516 lakhs (31 March 2020: ₹ 2,497 lakhs) and Inter-Bank Participation Certificate (IBPC) sold and outstanding as at 31 March 2021 of ₹ 52,450 lakhs (31 March 2020: ₹ 43,680 lakhs).



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Fincare Small Finance Bank Limited

Schedules forming part of the Balance Sheet as at 31 March 2021
(All amounts in ₹ lakhs except otherwise stated)

Schedule 10 - Fixed assets	As at 31 March 2021	As at 31 March 2020
A. Premises		
Gross block	-	-
Opening balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Closing balance	-	-
Less: Depreciation to date	-	-
Net Block	-	-
B. Other fixed assets (including furniture and fixtures)		
Gross block		
Opening balance	7,976	5,584
Additions during the year	1,292	2,433
Deductions during the year	(59)	(41)
Closing balance	9,209	7,976
C. Accumulated depreciation		
Opening balance	3,940	2,277
Charge for the year	1,701	1,090
Deductions during the year	(51)	(27)
Closing balance	5,590	3,940
Net Block¹	3,619	4,036
Total fixed assets	3,619	4,036

¹ Including intangible assets amounting to ₹ 162 lakhs (31 March 2020: ₹ 272 lakhs)

Schedule 11 - Other assets	As at 31 March 2021	As at 31 March 2020
I. Inter-office adjustments (net)	-	-
II. Interest accrued	9,325	9,637
III. Tax paid in advance / tax deducted at source (net)	188	25
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Others ¹	9,879	7,387
	19,392	17,047

I. Others	As at 31 March 2021	As at 31 March 2020
Loans given as collateral towards securitisation transactions	327	647
Interest strip on securitisation / assignment of loans	-	477
Deferred tax asset (refer schedule 18.30)	8,651	4,019
Security deposits	1,234	1,130
Goods & Services Tax input credit	521	321
Other receivables	1,146	791
	9,879	7,387

Schedule 12 - Contingent liabilities	As at 31 March 2021	As at 31 March 2020
I. Claims against the bank not acknowledged as debts - taxes	-	-
II. Claims against the bank not acknowledged as debts - others ¹	327	1,837
III. Liability for partly paid investments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	-	-
Total contingent liabilities	327	1,837

I. Claims against the bank not acknowledged as debts - others	As at 31 March 2021	As at 31 March 2020
i) Cash collateral	-	408
ii) Unfunded guarantees	-	306
iii) Principal subordination	327	647
iv) Interest subordination	-	477
	327	1,837

² The Hon'ble Supreme Court had, in its decision dated 28 February 2019, ruled that special allowance would form part of basic wages for computing the Provident Fund (PF) contribution. The management has obtained a legal opinion to ascertain whether this is applicable to the Bank based on its wage structure and believes that it will not have any material adverse effect on the financial position and results of its operations.



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Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2021
(All amounts in ₹ lakhs except otherwise stated)

Schedule 13 - Interest earned		Year ended 31 March 2021	Year ended 31 March 2020
I.	Interest/Discount on advances/bills	114,620	94,468
II.	Income on investments	6,852	4,994
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	3,261	3,432
IV.	Others ¹	162	4,142
	Total interest earned	125,193	107,026
1 Others		Year ended 31 March 2021	Year ended 31 March 2020
	Income from securitisation/assignment of loans	3	3,166
	Interest income on money market instruments	117	213
	Interest income on Tri Party Repo lending	41	741
	Others	1	2
		162	4,142
Schedule 14 - Other income		Year ended 31 March 2021	Year ended 31 March 2020
I.	Commission, exchange and brokerage	5,098	5,061
II.	Profit on sale of investments	151	124
	(Less): Loss on sale of investments	(99)	(13)
III.	Profit on revaluation of investments	-	-
	(Less): Loss on revaluation of investments	-	-
IV.	Profit on sale of land, buildings and other assets	3	2
	(Less): Loss on sale of land, buildings and other assets	(2)	(9)
V.	Profit on exchange/derivative transactions	-	-
	(Less): Loss on exchange/derivative transactions	-	-
VI.	Income earned by way of dividends from subsidiaries, companies and/or joint	-	-
VII.	Miscellaneous income ¹	7,587	8,781
	Total other income	12,738	14,546
1 Miscellaneous income		Year ended 31 March 2021	Year ended 31 March 2020
	Income from sale of Priority Sector Lending Certificate	4,096	4,338
	Recovery against loans written off	197	276
	Debit card issue/maintenance charges	2,309	3,493
	Others	955	684
		7,587	8,781
Schedule 15 - Interest expended		Year ended 31 March 2021	Year ended 31 March 2020
I.	Interest on deposits	41,602	30,195
II.	Interest on Reserve Bank of India/inter-bank borrowings	2,054	4,081
III.	Others	11,253	10,874
	Total interest expended	55,009	45,150
Schedule 16 - Operating expenses		Year ended 31 March 2021	Year ended 31 March 2020
I.	Payments to and provisions for employees	28,919	25,893
II.	Rent, taxes and lighting (refer schedule 16.31)	3,167	2,835
III.	Printing and stationery	518	806
IV.	Advertisement and publicity	504	1,029
V.	Depreciation on Bank's property	1,701	1,690
VI.	Directors' fees, allowances and expenses	113	97
VII.	Auditors' fees and expenses	66	84
VIII.	Law charges	2	24
IX.	Postage, telegrams, telephones, etc.	1,149	1,230
X.	Repairs and maintenance	540	698
XI.	Insurance	477	215
XII.	Professional fee	2,834	2,453
XIV.	Other expenditures ¹	6,334	5,359
	Total operating expenses	46,324	42,613



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Fincare Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2021
 (All amounts in ₹ lakhs except otherwise stated)

Schedule 16 - Operating expenses (cont'd)

1 Other expenditure	Year ended 31 March 2021	Year ended 31 March 2020
Traveling and conveyance	534	993
Communication expenses	465	264
Contribution towards CSR expenses (refer schedule 18.36)	149	38
Bank charges	105	137
Loss on securitisation	70	-
ATM recycler charges	985	1,217
Credit Bureau charges	151	817
Business correspondence commission	1,975	952
Miscellaneous expense	1,900	1,241
	<u>6,334</u>	<u>5,368</u>



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

1 Overview

Pursuant to the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on 19 May 2017 and the issue of small finance bank license by the Reserve Bank of India ("RBI") on 12 May 2017, Disha Microfin Limited ("the Company") commenced its operations as a small finance bank with effect from 21 July 2017. Accordingly, the name of the Company was changed to Fincare Small Finance Bank Limited ("the Bank"). The Bank is a Banking Company governed by the Banking Regulation Act, 1949.

The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.8140/16/13.216/2015-19 dated 28 March 2019 and published in the Gazette of India on 13 April 2019.

The Bank's operation includes retail and wholesale banking activities. These activities primarily include micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups ("JLG"), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Bank is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property. In addition, the Bank offers other products, including institutional finance, gold loan, two wheeler loans, affordable housing loans and overdraft facility against fixed deposits or properties. The Bank operates across various states and union territories of India.

2 Summary of significant accounting policies

2.1(i) Basis of preparation of financial statements

These financial statements of the Bank consisting of balance sheet as at 31 March 2021, the profit and loss account, the cash flow statement for the year ended 31 March 2021, and a summary of significant accounting policies and other explanatory notes have been prepared in accordance with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except in the case of interest and other income on non-performing assets (NPAs) where it is recognised upon realisation.

2.1(ii) Impact of COVID 19

- (i) The Covid-19 pandemic has contributed to a significant decline and volatility in the economic activity, in the global and Indian markets. The nation-wide lockdown imposed in the month of April and May 2020 has significantly impacted the livelihood of individuals and various business operations, consequently impacting the Bank's regular operations including lending and collection activities due to restrictions on the movement of employees across different states to reach the borrowers.

The easing of the lockdown measures subsequently led to a gradual improvement in the economic activity and progress towards normalcy.

The current second wave ("second wave") of Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lockdown measures in various parts of the country.

- (ii) In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between 1 March 2020 and 31 May 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated 23 May 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between 01 June 2020 and 31 August 2020.

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.

The Bank had made an additional provision amounting to ₹ 8,250 lakhs owing to the probable impact of Covid-19 ("Covid-19 related provision") during the year ended 31 March 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 13,142 lakhs during the year ended 31 March 2021. (Refer Schedule 18.4 E).

- (iii) The Supreme Court, in a writ petition through its interim order dated 03 September 2020, had directed that accounts which were not declared as NPA till 31 August 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of 31 August 2020 as per the RBI norms, as NPA after 31 August 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated 07 April 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from 01 September 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at 31 March 2021, the Bank held an aggregate Covid-19 related provision of ₹ 5,807 lakhs (included in General provision for standard assets).

- (iv) The Bank has assessed the impact of the Covid-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. The management is confident that collections will improve, though at a lower level than earlier with the relaxations in the lockdowns. Based on the foregoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfill its obligations as and when these become due in the foreseeable future.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.1(ii) Impact of COVID-19 (cont'd)

- (v) The Bank has put in place a Board approved policy for restructuring of assets in line with the guidelines laid down by the RBI in the Prudential Framework for Resolution of Stressed Assets issued on 7 June 2019 and Resolution framework for COVID-19 stressed assets issued on 6 August 2020. The details of restructuring done by the Bank under the respective framework has been provided in Schedule 18.4 B.

2.2 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful lives of fixed assets, deferred tax, accrual for employee benefits and provision for standard and non-performing assets. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognised prospectively in the current and future periods.

2.3 Revenue recognition

- (i) Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.
- (ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.
- (iii) Loan processing fees is recognised on an upfront basis when it becomes due.
- (iv) The fees charged on debit card issuance is recognised on an upfront basis.
- (v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight-line basis over the tenure of the certificate.
- (vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.
- (viii) All other fees and income are accounted for as and when they become due.

2.4 Advances

Classification

Advances are classified into performing and non-performing advances ('NPA') based on the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on NPA classification and provisioning policy of the Bank, subject to the minimum classification and provisioning level prescribed by the RBI under the Income Recognition and Asset Classification ('IRAC') norms.

As per IRAC norms prescribed by RBI, a loan or an advance is classified as NPA where, the interest and/or instalment of principle remains overdue for a period of more than 90 days in respect of a term loan or the account remains "out of order" in respect of an overdraft/cash credit (OD/CCL) facility.

"Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

In case of micro-finance loans, rural micro enterprise loans, loan against gold, two wheeler loans, staff loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per RBI guidelines. Further, such NPAs which become overdue for more than 180 days are classified as loss assets.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 820 days are classified as loss assets.

In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 1,185 days are classified as loss assets.

Provisioning

General provision for standard assets made in accordance with RBI Guidelines is included under "Other Liabilities & Provisions-Others".

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on management's best estimates, subject to minimum provisioning level prescribed by RBI under IRAC norms.

Loan loss provisions in respect of NPAs are charged to the Profit and Loss Account and included under Provisions and Contingencies.



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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.4 Advances (cont'd)

NPAs which have been fully provided for, are written off, based on management estimate and as per the NPA Provisioning and Write off Policy of the Bank.

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Miscellaneous income within Other Income.

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of micro finance portfolio loan is made in accordance with the provisioning policy for micro finance own portfolio and in case of other securitized portfolio loans, it is made in accordance with the provisioning policy for loan against property own portfolio, subject to maximum guarantee (including cash collaterals and unfunded guarantee) given in respect of these arrangements.

2.5 Inter-bank participation certificate (IBPC)

The Bank enters into inter-bank participation with risk sharing as issuing bank and the aggregate amount of participation are reduced from aggregate advance outstanding.

2.6 Investments

Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called 'categories'). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called 'groups') –

(a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Investments in Subsidiaries/Joint Ventures and (f) Other Investments.

Purchase and sale transactions in respect of all securities are recorded under 'Settlement Date' of accounting.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost

Brokerage, commission and broken period interest on debts instruments are recognised in the Profit and Loss Account and are not included in the cost of acquisition.

Disposal of investments

Profit/loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve, is appropriated from the Profit and Loss Account to Capital Reserve in accordance with the RBI Guidelines.

Valuation

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA')/Financial Benchmark India Private Limited ('FIBL'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR'), included in the AFS and HFT categories, is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FIBL.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head income from investments as per the RBI guidelines.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.



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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.7 Transfer and servicing of assets (cont'd)

The Bank transfers loans through securitization/direct assignment transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitized/direct assignment loan contract.

Cash profit arising at the time of securitization/assignment of loan portfolio (Premium loan transfer transactions) is amortized over the life of the underlying loan portfolio and the unamortised amount is disclosed as Deferred Income within 'Other liabilities' on the balance sheet.

Contractual rights to receive a portion of interest ('Unrealised profits') arising at the time of securitisation/ assignment of loan portfolio (PAR transactions) is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other assets' on the balance sheet. In accordance with RBI guidelines, the unrealised profits in respect of securitised/ assigned loan portfolio that is not due for collection is recorded at its present value and disclosed as 'Interest strip on securitisation/ assignment of loan portfolio' within 'Other liabilities' on the balance sheet. Income from interest strip (excess interest spread) is recognised in the profit and loss account, net of any losses, when redeemed in cash.

2.8 Fixed assets

Fixed assets, capital work-in progress are stated at their original cost of acquisition less accumulated depreciation. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

Advances paid towards the acquisition of tangible assets outstanding at each Balance Sheet date are disclosed as capital advances under Other Assets. The cost incurred towards tangible assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

2.9 Intangible assets

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

2.10 Depreciation and amortization

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Bank has used the following rates to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipments	5 years
Computer equipments	3 years
Furniture and fixtures	10 years
Leasehold improvements	Over the period of lease

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer software	3 years

Depreciation / amortisation is charged on a proportionate basis for all assets purchased and sold during the year.

2.11 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.



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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.11 Impairment of assets (cont'd)

Impairment losses of continuing operations are recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.12 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.

Provident fund

The Bank contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is a defined benefit plan. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the Projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and Loss Account in the year in which such gains or losses arise.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability/Asset in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation as at the balance sheet date in a manner similar to gratuity liability.

Other short-term benefits

Expense in respect of other short-term benefits including performance incentive is recognised on the basis of amount paid or payable for the period for which the employee render services.

Other long-term employee benefits- Deferred cash variable pay

As per the Bank's policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

2.13 Employee share based Payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees, including Managing Director and Whole Time Directors, of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.25. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Employee stock options outstanding account.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of the cost of lapsed option. In respect of the options which expire unexercised the balance standing to the credit of Employee stock options outstanding account is transferred to General Reserve.



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Fincare Small Finance Bank Limited

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.14 Taxes on income (cont'd)

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

2.15 Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate as at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

2.16 Provisions and contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

2.17 Borrowing costs

Borrowing costs that are attributable to the acquisition and/or construction of qualifying assets are capitalised as part of the cost of such assets, in accordance with Accounting Standard (AS) 16, Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

2.18 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



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Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31 March 2021

2.19 Transaction cost

Transaction costs (including loan origination costs) are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards:

- i. Issuance of share capital and debentures is expensed to the profit and loss account.
- ii. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

2.20 Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

2.21 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises of cash in hand, balances with RBI, balances with other banks and money at call and short notice.

2.22 Segment reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

c) Retail banking

The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.1 - Capital

A. Capital to Risk Weighted Asset Ratio (CRAR)

The following table sets forth, for the years indicated, computation of capital adequacy as per the RBI guidelines (under Basel II)

Particulars	As at	
	31 March 2021	31 March 2020
Common equity tier 1 capital ratio (%)	24.91%	23.46%
Tier 1 capital ratio (%)	24.91%	23.46%
Tier 2 capital ratio (%)	4.66%	5.62%
Total Capital Ratio (CRAR) (%)	29.56%	29.22%
Amount of equity capital raised (including share premium)	-	9,432
Amount of Additional Tier 1 capital raised; of which:		
Perpetual Non Cumulative Preference Shares (PNCPs)	-	-
Perpetual Debt Instruments (PDI)	-	-
Amount of Tier 2 capital raised; of which:		
Debt capital instruments (discounted value) ¹	13,000	17,000
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)] Redeemable Non Cumulative Preference Shares (RNCPs) Redeemable Cumulative Preference Shares (RCPS)]	-	-

1 Subordinated debt (considered in Tier 2 capital) outstanding as at 31 March 2021 is ₹ 20,000 lakhs (31 March 2020: ₹ 20,000 lakhs).

B. Capital inclusion

During the year ended 31 March 2021, the Bank has not infused capital (31 March 2020: ₹ 174,500). Details of movement in the paid up equity share capital are as below:

Particulars	As at 31 March 2021		As at 31 March 2020	
	Equity Shares	Amount (₹)	Equity Shares	Amount (₹)
Equity shares at the beginning of the year	63,610,481	6,361	58,435,961	5,644
Addition pursuant to equity shares issued during the year	-	-	7,174,500	717
Equity shares outstanding at the end of the year	63,610,481	6,361	63,610,481	6,361

18.2 - Investments

The following table sets forth, for the years indicated, the details of investments and the movement in provision held towards depreciation on investments of the Bank.

A. Particulars of investments and movement in provision held towards depreciation on investments

Particulars	As at		As at	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
a) Value of investments:				
i) Gross value of investments				
a) In India	127,939	100,704		
b) Outside India	-	-		
	127,939	100,704		
ii) Provision for depreciation				
a) In India	(3)	(8)		
b) Outside India	-	-		
	(3)	(8)		
iii) Net value of investments				
a) In India	127,936	100,696		
b) Outside India	-	-		
	127,936	100,696		
b) Movement of provisions held towards depreciation on investments:				
i) Opening balance		8		-
ii) Add: Provision made during the year		3		8
iii) Less: Write-off/write back of excess provision during the year		(8)		-
iv) Closing balance		3		8

Category wise details of investments (net of provision for depreciation):

Particulars	As at 31 March 2021		As at 31 March 2020	
	HTM	AFS	HTM	AFS
i) Government securities	86,542	41,304	58,164	42,532
ii) Other approved securities	-	-	-	-
iii) Shares	-	-	-	-
iv) Debentures and bonds	-	-	-	-
v) Subsidiaries and/or joint ventures	-	-	-	-
vi) Others	-	-	-	-



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.2 - Investments (cont'd)
B. Repurchase transactions

Tri - Party Repo / Reverse Repo

Particulars	Minimum outstanding during the year 2020-21	Maximum outstanding during the year 2020-21	Daily Average outstanding during the year 2020-21	Outstanding as on 31 March 2021
Securities sold under reverse repo¹				
i. Government securities	5,397	40,626	29,022	5,397
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo¹				
i. Government securities	32,259	132,519	82,839	90,539
ii. Corporate debt securities	-	-	-	-

Particulars	Minimum outstanding during the year 2019-20	Maximum outstanding during the year 2019-20	Daily Average outstanding during the year 2019-20	Outstanding as on 31 March 2020
Securities sold under reverse repo¹				
i. Government securities	-	34,342	8,047	9,887
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo¹				
i. Government securities	-	115,530	61,387	85,908
ii. Corporate debt securities	-	-	-	-

¹ Amounts reported are based on the value of securities under Repo and Reverse Repo.

Qualitative disclosures

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and got the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. 01 August 2019 after requisite collateral and default funds were in place.

The securities provided/collated to the Bank till date for reverse repo transactions are all issued by Government of India in the form of government securities, floating rate bonds and T-Bills.

C. Non-SLR investment portfolio

a) Issuer composition of Non-SLR investments

As at the year ended 31 March 2021 and 31 March 2020, there are no outstanding Non - SLR investments.

b) Non-performing Non-SLR investments

During the year ended 31 March 2021 and 31 March 2020, there are no non performing Non - SLR investments.

D. Sale and Transfer to/from HTM Category

During the year ended 31 March 2021 and 31 March 2020, there was no sale and transfer to/from HTM category.

18.3 - Derivatives

During the year ended 31 March 2021 and 31 March 2020, the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end. Hence, disclosure related to forward rate agreement / interest rate swap and exchange traded interest rate derivatives are not provided.

18.4 - Asset quality

A. Non-performing assets¹

The following table sets forth, for the years indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Net NPAs to Net Advances (%)	2.80%	0.41%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	4,472	3,589
(b) Additions during the year	36,712	7,433
(c) Reductions during the year	4,825	6,550
(d) Closing balance	36,359	4,472
(iii) Movement of Net NPAs		
(a) Opening balance	1,975	950
(b) Additions during the year	15,012	4,538
(c) Reductions during the year	2,146	3,513
(d) Closing balance	14,841	1,975
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	2,497	2,640
(b) Provision made during the year	21,108	4,846
(c) Write off/write back of excess provision	3,687	4,909
(d) Closing balance	26,518	2,497

¹ Non performing assets include only non-performing advances as on 31 March 2021 and 31 March 2020.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.A - Asset quality (cont'd)

B. Particulars of accounts restructured for the year ended 31 March 2021

Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	40	-	15	64	-	48	-	15	63
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	2	-	1	3	-	2	-	1	3
	Provision thereon	-	-	-	-	-	-	-	-	-	-	1	-	1	2	-	1	-	1	2
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	238	14,326	-	-	14,564	238	14,326	-	-	14,564
	Amount Outstanding	-	-	-	-	-	-	-	-	-	82	5,488	-	-	5,570	82	5,488	-	-	5,570
	Provision thereon	-	-	-	-	-	-	-	-	-	23	1,389	-	-	1,412	23	1,389	-	-	1,412
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	(14)	(14)	-	(38)	-	(14)	(14)	-	(28)	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(8)	-	(4)	(4)	-	(8)	-
	Provision thereon	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(8)	-	(4)	(4)	-	(8)	-
Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	(13)	-	(10)	(23)	-	(13)	-	(10)	(23)	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	(3)	-	(1)	(1)	-	(3)	-	(1)	(1)	-
	Provision thereon	-	-	-	-	-	-	-	-	-	(3)	-	(1)	(1)	-	(3)	-	(1)	(1)	-
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	(31)	-	(8)	(39)	-	(31)	-	(8)	(39)	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	(1)	-	(5)	(1)	-	(1)	-	(5)	(1)	-
	Provision thereon	-	-	-	-	-	-	-	-	-	(5)	-	(3)	(5)	-	(5)	-	(3)	(5)	-
Restructured Accounts as on March 31 of the year (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	224	14,317	-	(28)	14,289	224	14,317	-	(28)	14,289
	Amount Outstanding	-	-	-	-	-	-	-	-	-	78	5,483	-	(8)	5,571	78	5,483	-	(8)	5,571
	Provision thereon	-	-	-	-	-	-	-	-	-	19	1,395	-	(8)	1,413	19	1,395	-	(8)	1,413

1. Out of 14,326 accounts, 14,231 restructured accounts have been provided additional finance as a part of resolution plan which was initially classified as standard as per Prudential Framework for resolution of stressed assets dated 7 June 2019. The amount outstanding and provision thereon, towards such additional finance is ₹ 3,930 lakhs and ₹ 839 lakhs respectively as on 31 March 2021.

2. Additional finance, with an amount outstanding and provision thereon of ₹ 132 lakhs and ₹ 33 lakhs respectively as on 31 March 2021 was downgraded to sub-standard during the year ended 31 March 2021.



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18.4 - Asset quality (cont'd)

b. Particulars of accounts restructured for the year ended 31 March 2023

Type of Restructuring	Asset Classification	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194	-	-	-	194
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-	-	-	16
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	8
Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15)	-	-	-	(15)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)
Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23)	-	-	-	(23)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	(1)
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(77)	-	-	-	(77)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11)	-	-	-	(11)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	-	-	-	(8)
Restructured Accounts as on March 31 of the year (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49	-	-	-	49
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.4 - Asset quality (cont'd)

6. Particulars of accounts restructured for the year ended 31 March 2021 as per the RBI notification on Resolution framework for COVID-19- related stress dated 09 August 2020

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan ¹	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation.	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons ²	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	36,826	4,123	-	8,260	2,142
Total	36,826	4,123	-	8,260	2,142

1 As defined in Section 3(T) of the Insolvency and Bankruptcy Code, 2016

2 This amount does not include interest accrued as on the date of implementation of the plan.



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Schedule 10 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.4 - Asset quality (cont'd)

C. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Bank has not sold any financial assets during the year ended 31 March 2021 and 31 March 2020 to securitisation / reconstruction company for asset reconstruction.

D. Details of non-performing financial assets purchased / sold

The Bank has not purchased or sold any non performing financial assets during the year ended 31 March 2021 and 31 March 2020.

E. (i) Provisions towards standard assets

Particulars	As at 31 March 2021	As at 31 March 2020
Provisions towards standard assets	11,161	10,610
	<u>11,161</u>	<u>10,610</u>

(ii) General provision for COVID-19 deferment cases as per the RBI COVID-19 Regulatory package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between 1 March 2020 and 31 May 2020 to all eligible borrowers. In line with the additional Regulatory Package guidelines dated 23 May 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between 1 June 2020 and 31 August 2020.

The quantitative disclosures as required by the RBI circular dated 17 April 2020 for the year ended 31 March 2021 and 31 March 2020 are given below:

Particulars	31 March 2021	31 March 2020
- Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the circular (as of 29 February 2020)	4,787	4,787
- Of the above, respective amounts where asset classification benefits is extended as at year ended	3,206	4,083
- Provision made in terms of paragraph 5 of the COVID-19 Regulatory Package		
In Q4 FY2020	268	268
In Q1 FY 2021	268	-
- Provision adjusted against slippages during the year in terms of paragraph 6 of the COVID-19 Regulatory Package	536	-
- Residual provision held at the year ended	-	268

(iii) Higher provision for COVID-19

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metrics (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.

The Bank had made an additional provision amounting to ₹ 8,250 lakhs owing to the probable impact of Covid-19 ("Covid-19 related provision") during the year ended 31 March 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 13,142 lakhs during the year ended 31 March 2021.

(iv) Update on Supreme Court of India order

The Supreme Court, in a writ petition through its interim order dated 02 September 2020, had directed that accounts which were not declared as NPA till 31 August 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of 31 August 2020 as per the RBI norms, as NPA after 31 August 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated 07 April 2021 has provided extent instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified those borrower accounts as per the extant IRAC norms with effect from 01 September 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at 31 March 2021, the Bank held an aggregate Covid-19 related provision of ₹ 5,907 lakhs (included in General provision for standard assets).

(v) Disclosure as required by the RBI notification dated 07 April 2021

In accordance with the RBI notification dated 07 April 2021, the Bank is required to refund/adjust any amount in the nature of "Interest on Interest" including penal interest charged on the borrowers during the moratorium period i.e., 01 March 2020 to 31 August 2020. As at 31 March 2021, the Bank has created a liability towards estimated interest relief and has reduced the same from interest income.

18.5 - Provisioning coverage ratio

Particulars	As at 31 March 2021	As at 31 March 2020
The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines after crediting technical write off	73.08%	91.14%



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18.6 - Business ratios

Particulars	As at	As at
	31 March 2021	31 March 2020
(i) Interest income as a percentage to working funds ¹	15.88%	15.18%
(ii) Non interest income as a percentage to working funds ¹	1.62%	2.47%
(iii) Operating profit as a percentage to working funds ¹	4.53%	5.74%
(iv) Return on assets (average) ²	1.44%	2.44%
(v) Business ³ per employee ⁴	115	95
(vi) Profit per employee ⁴	2	2

1 For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

2 Operating profit is net profit for the year before provisions and contingencies.

3 Business is monthly average of advances and deposits (net of inter bank deposits) as reported to the RBI in Form X under section 27 of the Banking Regulation Act, 1949.

4 Productivity ratios are based on average employee number.



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18.7 - Asset liability management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank as on 31 March 2021.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	5,124	6,993	7,417	4,825	11,285	11,537	51,603	117,587	285,170	27,537	7	531,586
Advances ¹	4,218	4,791	7,191	1,899	84,564	99,183	88,059	541,599	196,088	31,800	21,179	930,113
Investments	39,948	1,943	1,234	3,338	1,427	8,528	7,800	18,750	46,555	6,722	1	127,836
Borrowings	-	-	1,800	-	-	-	855	12,963	18,645	34,017	30,910	140,043
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31 March 2020.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	1,122	4,863	5,231	6,630	9,538	17,833	84,471	83,473	201,656	6,422	21	456,383
Advances ¹	-	179	117	1,303	1,725	23,869	81,078	146,184	193,080	19,372	14,591	481,899
Investments	27,813	1,462	927	2,926	2,146	1,678	12,750	10,172	37,807	1,515	1,454	100,695
Borrowings	-	-	3,875	-	-	2,438	16,104	18,988	43,113	23,550	NA	136,818
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Notes:

- The above borrowings exclude interest accrued and due and interest accrued but not due.
- The advances comprise of portfolio loan and does not include interest accrued but not due.
- Includes interest bearing loans only.
- Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.
- In view of the COVID-19 pandemic, the Reserve Bank of India announced measures to support the economy and the financial system. The measures permit banks to offer a moratorium or deferral on all term loans or working capital facilities outstanding as on 1 March, 2020. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows as on 31 March 2020 of borrower accounts have been suitably adjusted for the moratorium given to customers by the Bank upto 31 May 2020, based on the information available upto a point in time.



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18.5 - Segment reporting

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by the RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of entire investment portfolio of the Bank.

b) Corporate/Wholesale banking

Wholesale banking includes all advances to companies and statutory bodies, which are not included under Retail banking.

c) Retail banking

The retail banking segment serves retail customers through the branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criteria), the nature of product, granularity of the exposure and the quantum thereof. Revenue of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with banks and financial institutions. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

d) Other banking operations

Other Banking operations include other items not attributable to any particular business segment.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment.

Business segments Particulars	Treasury		Corporate/Wholesale Banking		Retail banking		Other Banking Operations		Total	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Revenue	10,306	9,492	2,157	3,318	125,349	108,764	-	-	137,641	121,572
Result	8,747	3,055	765	1,730	15,125	25,968	-	-	35,637	30,722
Unallocated expenses									17,305	11,435
Operating profit									14,642	20,273
Income taxes									3,320	3,628
Net profit									11,322	16,645
Other adjustments										
Segment assets	244,742	213,342	7,887	23,601	528,706	487,601	-	-	781,335	725,550
Unallocated assets									15,319	2,121
Total assets									796,654	727,671
Segment liabilities	25,993	87,290	2,382	11,207	638,735	543,929	-	-	667,110	642,426
Unallocated liabilities									111,354	130,565
Total liabilities									778,464	772,991

Note:

In computing the above disclosure, certain assumptions and estimates are made by the management which have been relied upon by the auditor.



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18.0 - Related party disclosure

Description of relationship	Nature of relationship
(i) Parties where control exists Fincare Business Services Limited	Holding Company
(ii) Key management personnel Mr. Rajeev Yadav Mr. Kayur Doshi Ms. Shafaly Kothari	Managing Director and Chief Executive Officer Chief Financial Officer Company Secretary
(iii) Other related parties Mr. Rakesh Rai, Ms. Karmal Kayur Doshi, Mr. Parth Kayur Doshi, Mr. Gopalshah Doshi, Ms. Sarojen Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nyasa Yadav, Ms. Saroj Khola and Mr. HS Khosla.	Relatives of key management personnel

(iv) The transactions with related parties during the year:

Nature of transaction	Relationship	31 March 2021	31 March 2020
Issue of equity shares Fincare Business Services Limited	Holding company	-	882
Securities premium on equity shares Fincare Business Services Limited	Holding company	-	8,288
Managerial remuneration/compensation for KMP Mr. Rajeev Yadav	Key management personnel	298	381
Mr. Kayur Doshi	Key management personnel	121	125
Ms. Shafaly Kothari	Key management personnel	28	22
Term deposits made with the Bank Fincare Business Services Limited	Holding Company	6,768	1
Mr. Rajeev Yadav (₹ 2,000)	Key management personnel	0	6
Mr. Kayur Doshi	Key management personnel	-	-
Ms. Shafaly Kothari	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	228	84
Term deposits matured (inclusive of interest) Fincare Business Services Limited	Holding Company	6,771	1
Mr. Rajeev Yadav	Key management personnel	-	6
Mr. Kayur Doshi	Key management personnel	-	-
Ms. Shafaly Kothari	Key management personnel	-	3
Relative of key management personnel	Relative of key management personnel	40	23



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18.9 - Related party disclosures (cont'd)

Nature of transaction	Relationship	31 March 2021	31 March 2022
Interest expense on term deposits			
Fincare Business Services Limited	Holding Company	6	-
Mr. Rajeev Yadav	Key management personnel	1	1
Mr. Kayur Doshi (2020: ₹ 11,399)	Key management personnel	0	0
Ms. Shafiq Kohari (2020: ₹ 16,895)	Key management personnel	-	0
Relative of key management personnel	Relative of key management personnel	26	16
Interest expense on Sub Debt			
Fincare Business Services Limited	Holding Company	4	318
v) Closing balance of the transactions with related parties :			
Nature of transaction	Relationship	31 March 2021	31 March 2022
Deposit balance (savings and term deposit)			
Mr. Rajeev Yadav	Key management personnel	7	6
Mr. Kayur Doshi	Key management personnel	2	2
Ms. Shafiq Kohari	Key management personnel	6	2
Relative of key management personnel	Relative of key management personnel	972	195
Interest expense payable on deposit balance (savings and term deposit)			
Mr. Rajeev Yadav	Key management personnel	-	-
Mr. Kayur Doshi	Key management personnel	-	-
Ms. Shafiq Kohari	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	-	-
Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	1,895
Interest payable on Sub-debt			
Fincare Business Services Limited	Holding Company	-	5
Current account balance			
Fincare Business Services Limited	Holding Company	142	1



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Fincare Small Finance Bank Limited

Schedule 13 - Notes to the financial statements
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18.9 - Related party disclosures (cont'd)
vi) Maximum outstanding during the year:

Nature of transaction	Relationship	31 March 2021	31 March 2020
Deposit balances (savings and term deposit)			
Fincare Business Services Limited	Holding Company	3,507	1
Mr. Rajeev Yadav	Key management personnel	11	25
Mr. Kavya Prasad	Key management personnel	29	30
Ms. Shafaly Kohari	Key management personnel	9	17
Relative of key management personnel	Relative of key management personnel	506	244
Interest expense payable on deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	-	-
Mr. Rajeev Yadav [₹ 3,345 (2020: ₹ 15,120)]	Key management personnel	0	0
Mr. Kavya Prasad [₹ 1,746 (2020: ₹ 8,237)]	Key management personnel	0	0
Ms. Shafaly Kohari [₹ 5,549 (2020: ₹ 19,899)]	Key management personnel	0	0
Relative of key management personnel	Relative of key management personnel	6	0
Sub-debt payable			
Fincare Business Services Limited	Holding Company	1,889	2,684
Interest on Sub-debt payable			
Fincare Business Services Limited	Holding Company	4	162
Current account balance			
Fincare Business Services Limited	Holding Company	2,236	6,791

Note:

1. Lok Management Services Private Limited (LMSPL) has applied to the Regional Director (South East Region), Ministry of Corporate Affairs (MCA), for approval for amalgamation with Fincare Business Services Limited with an appointed date of 01 April 2019. On obtaining the nodal dated 05 March 2020 from the Regional Director (South East Region), MCA, LMSPL ceased to exist and has been merged with Fincare Business Services Limited.



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Schedule 18 - Notes to the financial statements
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18.10 - Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As at 31 March 2021	As at 31 March 2020
Total deposits of twenty largest depositors	80,141	84,019
Percentage of deposits of twenty largest depositors to total deposits of the Bank	16.20%	18.05%

B. Concentration of advances

Particulars	As at 31 March 2021	As at 31 March 2020
Total advances to twenty largest borrowers	8,923	20,789
Percentage of advances to twenty largest borrowers to total advances of the Bank	1.48%	3.94%

C. Concentration of exposures

Particulars	As at 31 March 2021	As at 31 March 2020
Total exposure to twenty largest borrowers / customers	8,923	20,789
Percentage of exposures to twenty largest borrowers / customers to total exposures of the Bank on borrowers / customers	1.46%	3.94%

D. Concentration of NPAs

Particulars	As at 31 March 2021	As at 31 March 2020
Total exposure to top four NPA accounts	1,085	100

E. Movement of non-performing assets¹

Particulars	As at 31 March 2021	As at 31 March 2020
(i). Movement of non-performing assets (Gross)		
Opening Balance	4,472	3,589
Additions: Fresh NPAs during the year	35,712	7,433
Sub-total (A)	40,184	11,022
Less:		
(i) Upgradations	1,289	1,593
(ii) Recoveries (excluding recoveries made from upgraded accounts)	143	413
(iii) Technical / Prudential Write offs	3,393	4,544
(iv) Write offs other than those under (ii) above	-	-
Sub-total (B)	4,825	6,550
Closing balance (A-B)	35,359	4,472
(ii). Movement in technical / prudential write off		
Opening balance of Technical / Prudential written off accounts as at 1 April	17,814	13,433
Add: Technical / Prudential write offs during the year	3,393	4,544
Sub-total (A)	21,207	17,977
Loss: Recoveries made from previously technical / prudential written off accounts during the year	170	163
Sub-total (B)		
Closing balance as at 31 March (A-B)	21,037	17,814

¹ Non performing assets include only non performing advances as on 31 March 2021 and 31 March 2020.



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Schedule 18 - Notes to the financial statements
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18.11 - Sector-wise advances

Sector ¹	As at 31 March 2021			As at 31 March 2020		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector						
Agriculture and allied activities	238,015	18,496	8.20%	270,526	2,099	0.78%
Small & Marginal Farmer	237,463	14,529	6.14%	256,561	1,135	0.48%
Agriculture-Others	50,540	3,966	8.04%	40,666	954	2.33%
Advances to industries sector eligible as priority sector lending	32	10	10.81%	105	27	25.71%
Services	52,693	7,371	13.94%	95,583	647	0.69%
Personal loans and others	120,207	3,336	2.77%	30,916	306	0.99%
Sub-total (A)	471,289	29,201		468,130	3,289	
B. Non Priority Sector						
Agriculture and allied activities	2,349	55	2.34%	7	-	0.00%
Industry	1,158	17	1.47%	143	5	3.50%
Services	5,191	38	0.80%	1,030	20	2.60%
Personal loans	70,703	5,693	8.49%	76,745	1,170	1.52%
Sub-total (B)	79,271	6,193		77,823	1,204	
Total (A+B)	550,560	35,394		545,953	4,493	

¹ Gross of provision on Gross NPA ₹ 20,518 lakhs (31 March 2021); ₹ 2,497 lakhs)



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Schedule 15 - Notes to the financial statements
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15.12 - Liquidity coverage ratio

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 2021		Quarter ended 31 March 2020	
	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)
1) Total High Quality Liquid Assets (HQLA)	N.A.	205,342	N.A.	179,376	N.A.	203,219	N.A.	197,466	N.A.	141,872
Cash outflows	-	-	-	-	-	-	-	-	-	-
2) Retail deposits and deposits from small business customers, of which:										
- Stable deposits	-	-	-	-	-	-	-	-	-	-
- Less stable deposits	249,097	24,910	275,474	27,547	291,730	29,173	307,680	30,769	268,537	30,894
3) Unsecured wholesale funding, of which:										
- Operational deposits (all counterparties)	89,631	69,631	81,113	81,113	66,180	66,190	65,327	65,327	66,374	66,374
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-	-	-
4) Secured wholesale funding	30,348	3,684	28,421	10,595	20,650	2,853	19,691	6,417	16,600	5,010
5) Additional requirements, of which:										
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	2,791	334	5,983	206	6,789	339	2,895	129	2,647	576
6) Other contractual funding obligations	-	-	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-
8) Total Cash Outflows	N.A.	86,699	N.A.	119,355	N.A.	100,556	N.A.	102,842	N.A.	82,824
Cash inflows										
9) Secured lending (e.g. reverse repo)	127,299	-	65,026	-	91,104	-	80,811	-	73,102	-
10) Inflows from fully performing exposures	1,742	871	6,071	2,535	27,133	13,668	36,666	18,333	26,776	12,889
11) Other cash inflows	3,748	2,748	13,296	13,295	3,983	3,983	2,494	2,494	5,876	5,876
12) Total Cash Inflows	131,790	3,617	86,372	16,830	122,220	17,649	119,971	20,827	104,754	18,764
13) Total HQLA	N.A.	205,342	N.A.	179,376	N.A.	203,219	N.A.	197,466	N.A.	141,872
14) Total Net Cash Outflows	N.A.	83,082	N.A.	103,523	N.A.	83,008	N.A.	81,815	N.A.	64,059
15) Liquidity Coverage Ratio (%)	N.A.	241.35%	N.A.	179.27%	N.A.	244.83%	N.A.	241.36%	N.A.	221.47%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31 March 2021 and 31 March 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Qualitative Disclosure around LCR

(a) the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The Bank has adopted the Basel III framework on liquidity standards as prescribed by the RBI for reporting LCR. The objective of LCR is to ensure that the Bank maintains an adequate stock of encumbered HQLA to survive a significant liquidity stress lasting for a period of 30 days.



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18.12 - Liquidity coverage ratio (cont'd)

Qualitative Disclosure around LCR (cont'd)

(b) Intra-period changes as well as changes over time

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net cash outflows over a stressed 30 calendar day period as per the RBI Guidelines. Minimum LCR requirement for small finance banks is 100% by 31 January 2021 and 95% by 31 January 2020. The excess SLR has been reworked in HQLA over and above the mandatory basis market value with effect from 1 October 2018 on a conservative basis.

(c) the composition of HQLA

HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by the RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying the RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings including grandfathered borrowings), as well as contingent liabilities, partially offset by inflows from assets maturing within 30 days.

(d) concentration of funding sources

The major sources of funding is term deposits by retail customers as well as corporate and financial institutions, refinance borrowings, securitization and BPC.

Reason for LCR in excess of minimum regulatory requirement are as follows:

The LCR percentage is above the minimum threshold prescribed for Small Finance Banks which indicates comfortable liquidity profile.

* As per the RBI guidelines, the minimum LCR required to be maintained by small finance bank shall be implemented in a phased manner from 1 January 2018 as given below:

Year	Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
Min LCR	60%	70%	80%	95%	100%

(e) derivative exposures and potential collateral calls

Not applicable

(f) currency mismatch in the LCR

Not applicable

(g) a description of the degree of centralisation of liquidity management and interaction between the group's units

Not applicable

(h) other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile

Not applicable



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18.12 - Exposures

A. Exposure to Real Estate Sector

The Bank has an exposure of ₹ 8,205 lakhs as at 31 March 2021 (31 March 2020 - ₹ 2,034 lakhs) to Real Estate Sector.

B. Exposure to capital market

As at 31 March 2021 and 31 March 2020, the Bank does not have any exposure to capital market.

C. Risk category wise country exposure

The Bank's exposures are concentrated in India only, hence country risk exposure as at 31 March 2021 and 31 March 2020 is Nil.

D. Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the Bank

During the year ended 31 March 2021 and 31 March 2020, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under the extant RBI guidelines.

E. Unsecured advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The unsecured advances of ₹ 408,041 lakhs (31 March 2020: ₹ 376,050 lakhs) disclosed in Schedule 06 (B) are without any collateral or security.

F. Intra group exposure

The Bank does not have any intra group advances, hence intra group exposure as at 31 March 2021 and 31 March 2020 is Nil.

18.14 - Disclosure of Penalties imposed by the RBI

No penalties have been levied on the Bank by the RBI during the year ended 31 March 2021.

A penalty of ₹ 1 lakh had been levied on the Bank by the RBI vide penalty order PCO/NDS (Source: 080/08.03.0002019-20 dated 26 December 2019 on account of a single instance of SGL breach occurred on 10 December 2019. Appropriate control measures were taken by the Bank internally to prevent such instances from recurrence.

18.15 - Employee benefits

A. Gratuity

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
The amounts recognised in the Profit and Loss account are as follows:		
Service cost	328	317
Interest cost	61	45
Expected return on plan assets	(49)	(29)
Net actuarial gain on plan assets	(177)	108
Post service cost	1	(1)
Expense recognised in the Profit and Loss account	164	443

Particulars	As at 31 March 2021	As at 31 March 2020
The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	1,196	1,058
Fair value of plan assets as at the end of the year	1,039	847
Net liability recognised in the Balance Sheet	147	411

Changes in the present value of defined benefit obligation:

Defined benefit obligation at the beginning of the year	1,058	811
Service cost	328	317
Interest cost	61	45
Actuarial gain	(177)	118
Benefits paid	(84)	(33)
Defined benefit obligation at the end of the year	1,196	1,058

Changes in the fair value of plan assets:

Fair value at the beginning of the year	847	143
Expected return on plan assets	49	29
Actuarial Gain/(loss)	(9)	9
Contributions	390	500
Employer direct benefit payments	38	-
Benefits paid	(84)	(33)
Admin expenses/taxes paid from plan assets	(1)	(1)
Fair value as at the end of the year	1,039	647

Assumptions used in the above valuations are as under:

Discount rate	6.67%	6.03%
Expected return on plan assets	6.03%	7.62%
Future salary increase	10.00%	11.00%
Mortality rate	30.00%	30.00%
Retirement age (years)	60 Yrs	60 Yrs



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18.15 - Employee benefits (cont'd)

Experience adjustments:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017
Defined benefit obligation	1,186	1,056	611	327	200
Plan assets	1,039	647	143	144	135
Excess/(Deficit)	147	411	468	183	65
Experience adjustments on liabilities - gain / (loss)	22	1	(12)	30	(33)
Experience adjustments on assets - (gain) / loss	(1)	(9)	1	(7)	(1)

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the year ended 31 March 2021 amounted to ₹ 1,278 lakhs (31 March 2020: ₹ 1,067 lakhs).

C. Compensated absences

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at 31 March 2021 is ₹ 1,020 lakhs (31 March 2020: ₹ 755 lakhs).

Assumptions used in the above valuations are as under:	As at 31 March 2021	As at 31 March 2020
Discount rate	6.67%	6.03%
Future salary increase	10.00%	11.00%

18.16 - Provision and contingencies

Provision and contingencies recognised in the Profit and Loss account comprise:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Provision for income tax		
- current tax	5,960	7,919
- deferred tax (credit) (note schedule 18.30)	(2,632)	(3,050)
- MAT credit entitlement	-	1,069
Provision for standard assets	(2,979)	9,303
Provision for non-performing assets (includes bad debts written off ₹ 3,303 lakhs (31 March 2020: ₹ 4,544 lakhs))	21,130	4,407
Provision for depreciation in value of investments	-	-
Provision for restructured assets (refer schedule 18.4B)	3,814	(6)
Provision for unhedged foreign currency exposure	-	-
Provision for country risk	-	-
Provision for other contingencies	(95)	(218)
	25,194	19,464

18.17 - Floating provision

During the year ended 31 March 2021 and 31 March 2020, the Bank has not created any floating provision.

18.18 - Draw down from reserves

During the year ended 31 March 2021 and 31 March 2020, there were no drawdown from reserves.

18.19 - Disclosure of complaints

A. Customer complainants

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) No. of complaints pending at the beginning of the year	39	7
(b) No. of complaints received during the year	418	501
(c) No. of complaints redressed during the year	451	469
(d) No. of complaints pending at the end of the year	6	39



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18.19 - Disclosure of complaints (cont'd)

B. Awards passed by the Banking Ombudsman

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the Banking Ombudsmen during the year	4	-
(c) No. of awards implemented during the year	3	-
(d) No. of unimplemented awards at the end of the year	1	-

C. ATM related complaints

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) No. of complaints pending at the beginning of the year	2	-
(b) No. of complaints received during the year	113	104
(c) No. of complaints redressed during the year	115	102
(d) No. of complaints pending at the end of the year	-	2

The above information is as certified by the Management and relied upon by the auditors.

18.20 - Letter of comfort

The Bank has not issued letter of comfort during the year ended 31 March 2021 and 31 March 2020.

18.21 - Insurance business

The fees or commission earned in respect of insurance/mutual fund broking business.

Particulars	As at 31 March 2021	As at 31 March 2020
Income for selling life insurance policies	704	696
Income from selling non-life insurance policies	65	31
Income from selling mutual fund product	-	-

18.22 - Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPAs as at 31 March 2021 and 31 March 2020 and also no overseas operations were undertaken during the year. Hence revenue from overseas operation is 'Nil'.

18.23 - Off Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no of balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms as on 31 March 2021 and 31 March 2020.

18.24 - Disclosure on Remuneration

A) Qualitative Disclosures

Information relating to the composition and mandate of the Remuneration Committee.

The Nomination and Remuneration Committee (NRC) of the Board is the main body that sets the principles, parameters and governance framework of the remuneration policy and also notifies the Board to fulfil its responsibility that remuneration policy and practices, reward, duty and responsibility, in relation to the Bank and individual performance.

As on 31 March 2021, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process
The Bank did not take any advice from an external consultant on any area of remuneration for the year ended 31 March 2021.

Scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches
The Compensation Policy of the Bank, approved by the Board on 16 June 2020, pursuant to the guidelines issued by RBI covers all employees of the Bank.

Type of employee covered and number of such employees

All permanent employees of the Bank, categorised into Whole Time Directors, Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as at 31 March 2021 were 8,355 employees.

(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2019-20/89 DOR, Appt. BC, No. 23/29 /7.001/2019-20 dated 04 November 2019 (the RBI guidelines).

The Remuneration policy of the Bank is designed with a view to

i. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organisational objectives.

ii. ensure that a reasonable balance is maintained in terms of composition of remuneration, both

a. performance-linked - fixed and variable components

b. time horizon-linked - immediate and long term retention components

iii. Ensure that remuneration is linked to nature of role played by the individual in the Bank (i.e., Whole Time Directors, Chief Executive Officer, MRT, Control function staff & Others)

Effective governance of compensation: The NRC has oversight over compensation to KMP as well as MRT.



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18.24 - Disclosure on Remuneration (cont'd)

A) Qualitative disclosures (cont'd)

The Remuneration policy of the Bank is designed with a view to:

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has designed the remuneration composition based on role of the individual in the Bank.

-For Whole Time Directors, Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used.

-For Control Function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

Also, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their individual/department quality and performance goal achievement. The Bank seeks to align remuneration with financial and non-financial performance indicators.

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board/NRC has been apprised of the Bank's remuneration policy. The policy was revised in June, 2023, to bring the same in line with the RBI guidelines and approved by the NRC / Board.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual/department performance and is not linked to any business outcomes.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank, Whole Time Directors, Chief Executive Officer and MRT, considers adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risks difficult to measure: The evaluation process incorporates both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinements/improvement of the risk management framework, effective management of stakeholder relationships and continuity of key members of senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, in addition to business performance, the NRC takes into account adherence to the risk and compliance framework.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: With the adoption of new compensation policy in line with RBI guidelines, there is greater emphasis on linking variable pay of WTD and MRT to risk taking and to bring a reasonable balance in their fixed and variable pay. Also, the elements of Deferral, Malus and Clawback have been adopted for WTD and MRT.

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include reasonable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital quotient and customer-centricity.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees is based on parameters viz. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for MRT is Bank goals - 20%, Functional goals-40%, Competency Rating - 20% and Subjective Assessment - 20%.

(e) Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: As per policy, in general, 40% of non-cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining weak performance metrics: The variable compensation paid to Whole Time Directors, Chief Executive Officer and MRT is linked to achievement of Bank level goals and functional goals. As per policy, the deterioration in financial performance of the Bank shall lead to contraction in variable pay, which can even be reduced to zero. While deterioration in account of uncontrollable factors may not necessarily be considered for contraction in variable compensation, the NRC may take a decision on the percent of contraction based on available information. Further deferred vesting, malus and clawback shall be applicable to variable pay component of Whole Time Directors, Chief Executive Officer and MRT to facilitate adjusting remuneration in the event that performance metrics are weak.

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance: Adjustments to remuneration on account of long term performance is included in the Variable Pay philosophy. Variable Pay shall have a mix of cash and non-cash components for Whole Time Directors, Chief Executive Officer and MRT. For other employees, eligibility for non-cash variable pay shall be determined by the NRC on a case to case basis. The non-cash component shall be in the form of Stock Options. As per policy, in general, 40% of non-cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: As part of the new compensation policy, malus and clawback is applicable to all categories of staff. The variable shall be subject to malus and clawback arrangements in the event of subdued or negative financial performance. Malus shall cover future vesting only and shall not reverse vesting after it has already occurred. In the event of willful and deliberate misrepresentation or misreporting of financial performance of the Bank in any year, clawback shall be applicable. The decision shall be taken by the NRC after taking into account all material facts. A lookback period of 3 years from the date of vesting shall be applicable to the clawback clause.

(f) Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms

Overview of the forms of variable remuneration offered: A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited
Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.24 - Disclosure on Remuneration (cont'd)

The forms of variable remuneration used by the Bank are:

- Performance Incentives – used for rewarding teams (primarily Business functions) for business growth, customer satisfaction, asset quality, audit score etc.
- Performance Pay – used for rewarding performance against quarterly/yearly goals/key risk areas.
- Share-linked Instruments - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non-cash components for Whole Time Directors, Chief Executive Officer and MRT. For other employees, eligibility for non-cash variable pay shall be determined by the NRC on a case to case basis. The non-cash component shall be in the form of Stock Options.
- Long Term Retention Bonus (LTRB) – a tool for retention and improved morale - While short-term retention bonus plan continues to be in use, LTRB is discontinued w.e.f. 01 March 2019.

B) Quantitative Disclosures (covers only Whole Time Directors/ Chief Executive Officer/ Material Risk Takers)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
a) i - Number of meetings held by the Remuneration Committee during the year	Twelve	Nine
ii - remuneration paid to its members.	Nil	Nil
b) Number of employees having received a variable remuneration award during the year.	15 employees received Performance pay and 1 employee was granted employee stock options.	16 employees received Performance pay
c) Number and total amount of sign on awards made during the financial year	Nil	Nil
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
e) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
f) Total amount of outstanding deferred remuneration		
- Cash (₹ in lakhs)	207	Nil
- Shares	Nil	Nil
- Share linked instruments (ESOPs)	123,484	Nil
- Others	Nil	Nil
g) Total amount of deferred remuneration paid out during the year	Nil	Nil
h) Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred.		
- Fixed pay	1,437	1,421
- Variable pay		
- Non deferred ³ (₹ in lakhs)	156	274
- Deferred (ESOPs)	123,484	Nil
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
j) Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil	Nil
k) Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil	Nil
l) Number of MRTs identified ⁴	18	17
m) Number of cases where malus has been exercised ⁴	Nil	NA
n) Number of cases where clawback has been exercised ⁴	Nil	NA
o) Number of cases where both malus and clawback have been exercised ⁴	Nil	NA
p) The mean pay for the bank as a whole (excluding sub-staff) ⁵	3.39	NA
q) Divisor of Ratio of the pay of Managing Director from the mean pay ⁵ (₹ in lakhs/times)	28585.13X	NA

Notes

- Details pertain to remuneration awards for the financial years ended 31 March 2020 and 31 March 2019 awarded during the financial years ended 31 March 2021 and 31 March 2020 respectively. Remuneration award for the financial year ended 31 March 2021 are yet to be reviewed and approved by the NRC.
- The Bank had granted 48,188 options as at 29 March 2019 and 75,299 options as at 22 January 2020 to MD & CEO which has been accounted during the year after due approval received from the RBI. Further, the Bank has granted 187,500 options as at 07 December 2020 to MD & CEO under the scheme for which approval is sought from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.
- Includes three MRT who resigned during the year ended 31 March 2021.
- Reporting for these clauses is effective from 01 April 2020.
- Amount includes fixed pay and variable paid during the year but does not include value of ESOPs.



(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.25 - Employee Share Based Payments:

ESOP-2018-FSFB Plan:

At their meetings held on 29 March 2019 and 10 May 2019, the Board and the shareholders of the Bank respectively passed a resolution approving the "Fincare Small Finance Bank Stock Option Scheme" (as amended from time to time) (hereinafter referred as "the scheme") to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director and Whole Time Directors of the Bank, such number of employee options, not exceeding 1,00,000, that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Bank.

The eligible employees under this scheme are determined by the NRC at its sole discretion. The NRC would determine the vesting schedule of any grant made under this scheme and the same would be intimated to the eligible employee at the time of the grant. An eligible employee shall be entitled to exercise the vested option(s) and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date of the exercise price intimated at the time of the grant.

a) The details of activity under ESOP-2018-FSFB Plan have been summarised below:

	Year ended 31 March 2021		Year ended 31 March 2020	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year *	123,484	280.85	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	123,484	280.85	-	-
Out of the above exercisable at the end of the year	40,760	280.85	-	-

* The Bank has granted 48,188 options as at 10 May 2019 and 75,296 options as at 22 January 2020 to the MD & CEO which has been accounted during the year after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Further, the Bank has granted 187,600 options on 07 December 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

b) The details of exercise price for stock options outstanding at the end of the year are:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)	Weighted average exercise price (₹)
251-270	48,188	2.77	265.00
271-290	-	-	-
291-300	-	-	-
291-300	75,296	3.36	291.00
	123,484		

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes options pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Year ended 31 March 2021
Weighted average exercise price (₹)	280.85
Weighted average share price (₹)	280.85
Expected volatility	33.50% - 36.40%
Life of the option granted (Vesting and exercise period)	
- At the grant date	3.50 yrs - 5.50 yrs
Risk free interest rate	6.48% - 7.19%
Expected Dividend rate	-

As Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of stock price using stock price volatility information of other peers from BSE for the latest historical period as per time to maturity.

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

For the year ended 31 March 2021	Amount (₹)
Total employee compensation cost pertaining to share-based payment plans	100
Compensation cost pertaining to equity-settled employee share-based payment plan included above	100
Liability for employee stock options outstanding as at year end	100

18.26 - Disclosures relating to securitisation

Particulars	As at 31 March 2021	As at 31 March 2020
	a) No of SPVs sponsored by the Bank for securitisation transactions	9
b) Total amount of securitised assets on per books of the SPVs sponsored by the Bank	5,740	6,668
c) Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
i) Off-balance sheet exposures		
First loss	-	305
Others	-	-
ii) On-balance sheet exposures		
First loss	327	1,059
Others	-	-



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.26 - Disclosures relating to securitisation (cont'd)

Particulars	As at 31 March 2021	As at 31 March 2020
d) Amount of exposures to securitisation transactions other than MFR		
a) Off-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	-
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	477
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-

18.27 - Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended 31 March 2021 and 31 March 2020.

18.28 - Depositor Education and Awareness Fund

During the year ended 31 March 2021 and 31 March 2020 no amount has been transferred to Depositor Education and Awareness Fund.

18.29 - Unhedged Foreign currency Exposure

The Bank does not have any unhedged foreign currency exposure as at 31 March 2021 and 31 March 2020.

18.30 - Deferred tax assets

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred tax asset arising on:		
Depreciation and amortisation	465	333
Provision for employee benefits:		
Compensated absences	257	190
Gratuity	58	163
Long Term Retention Bonus (LTRB)	103	49
Deferred rent	-	1
Provision on portfolio loans	5,759	3,299
Others	9	44
	<u>6,651</u>	<u>4,019</u>

18.31 - Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account.

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause; however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the Profit and Loss Account.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Lease payments recognised in the profit and loss account	2,669	2,236

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due	As at 31 March 2021	As at 31 March 2020
Within one year	218	149
Later than one year but not later than five years	423	213
Later than five years	177	28



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

18.32 - Micro small and medium enterprises

	Year ended 31 March 2021	Year ended 31 March 2020
i) Principal amount remaining unpaid (but within due date as per the MSMED Act)	39	48
ii) Interest due thereon remaining unpaid	-	-
iii) Interest paid by the Bank in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
v) Interest accrued and remaining unpaid	-	-
vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

There are no delays in payments to micro and small enterprises as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

18.33 - Disclosure of provision for fraud

Particulars	As at 31 March 2021	As at 31 March 2020
Number of frauds reported during the year to the RBI	35	47
Amount involved in such frauds	659	48
Provision made during the year (net of recovery)	636	38
Unsanctioned provision debited from other reserves	-	-

18.34 - Earnings per equity share

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Net profit attributable to equity shareholders	11,314	14,345
Weighted average number of shares outstanding during the year used for computing basic earnings per share (nos)	63,610,481	65,705,378
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (nos)	63,610,481	NA
Basic earnings per share	17.70	24.43
Diluted earnings per share	17.70	24.43

18.35 - Inter-Bank Participation Certificate (IBPC) transactions

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
i) Aggregate value of IBPCs transaction during the year ¹	80,450	82,780
ii) Aggregate consideration received	80,450	82,780
iii) Aggregate gain recorded	-	-
iv) IBPCs outstanding	52,450	43,680

¹ aggregate value of the own portfolio pool identified for IBPC transaction ₹ 291,325 lakhs (2020 : ₹ 206,950 lakhs).

18.36 - Corporate social responsibility (CSR)

a) Gross amount required to be spent by the Bank during year ended 31 March 2021 is ₹ 149 lakhs (31 March 2020: ₹ 22 lakhs) under section 135 of the Companies Act, 2013.

b) Amount spent during the year on:

Particulars	In cash	Yet to be paid in cash	Total
i) Construction/Acquisition of asset	-	-	-
ii) On purpose other than (i) above	149	-	149
	149	-	149

Amount spent during the previous year on:

Particulars	In cash	Yet to be paid in cash	Total
i) Construction/Acquisition of asset	-	-	-
ii) On purpose other than (i) above	38	-	38
	38	-	38



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.37 - Priority Sector Lending Certificate (PSLC) Income

During the year ended 31 March 2021, the Bank sold PSLCs amounting to ₹ 7,500 lakhs (2020 : ₹ 20,000 lakhs) under agriculture category, ₹ 257,500 lakhs (2020: ₹ 235,200 lakhs) under small and marginal farmers category and ₹ (2020 : ₹ 10,100 lakhs) under Micro enterprises category. The income earned on the PSLCs sold during the year is ₹ 4,698 lakhs (2020 : ₹ 4,338 lakhs).


As per our report of even date.

For Walker Chandick & Co LLP
Chartered Accountants
Firm Registration No: 001076NN500013


Manish Gujral
Partner
Membership No.: 105117
MUMBAI
14 June 2021




For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited


Rajeev Yadav
MD and CEO
DIN: 05111379

Bengaluru
14 June 2021


Vinay Bajaj
Director
DIN: 07516339

Mumbai
14 June 2021


Shobha Kothari
Company Secretary
M No. F7688

Bengaluru
14 June 2021


Pramod Kabra
Director
DIN: 02262403

Mumbai
14 June 2021


Kavya Doshi
Chief Financial Officer

Banoda
14 June 2021

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

ANNEXURE VI: ILLUSTRATION OF BOND CASH FLOWS

Illustration of Bond Cash Flows	
Name of the Issuer	Fincare Small Finance Bank Limited
Face Value (per security)	INR 1,00,000 (Indian Rupees One Lakh)
Issue Date / Date of Allotment	Issue Opening Date: June 15, 2023 Deemed Date of Allotment: June 15, 2023
Date of Redemption	Redemption Date / Maturity Date: December 15, 2028
Tenure	5 (five) years and 6 (six) months from the Deemed Date of Allotment
Coupon Rate	10.75% (Ten Point Seventy Five Percent) per annum payable monthly
Frequency of the Coupon Payment with specified dates	Monthly
Day count convention	Actual/Actual

INTEREST PAYMENT AND REDEMPTION SCHEDULE

CASH FLOWS	DATE FOR COUPON/ REDEMPTION BECOMING DUE	NUMBER OF DAYS	AMOUNT
Coupon Payment	15-Jul-23	30	883.56
Coupon Payment	15-Aug-23	31	913.01
Coupon Payment	15-Sep-23	31	913.01
Coupon Payment	15-Oct-23	30	883.56
Coupon Payment	15-Nov-23	31	913.01
Coupon Payment	15-Dec-23	30	883.56
Coupon Payment	15-Jan-24	31	910.52
Coupon Payment	15-Feb-24	31	910.52
Coupon Payment	15-Mar-24	29	851.78
Coupon Payment	15-Apr-24	31	910.52
Coupon Payment	15-May-24	30	881.15
Coupon Payment	15-Jun-24	31	910.52
Coupon Payment	15-Jul-24	30	881.15
Coupon Payment	15-Aug-24	31	910.52
Coupon Payment	15-Sep-24	31	910.52
Coupon Payment	15-Oct-24	30	881.15
Coupon Payment	15-Nov-24	31	910.52
Coupon Payment	15-Dec-24	30	881.15
Coupon Payment	15-Jan-25	31	913.01
Coupon Payment	15-Feb-25	31	913.01
Coupon Payment	15-Mar-25	28	824.66
Coupon Payment	15-Apr-25	31	913.01
Coupon Payment	15-May-25	30	883.56
Coupon Payment	15-Jun-25	31	913.01
Coupon Payment	15-Jul-25	30	883.56
Coupon Payment	15-Aug-25	31	913.01
Coupon Payment	15-Sep-25	31	913.01
Coupon Payment	15-Oct-25	30	883.56
Coupon Payment	15-Nov-25	31	913.01
Coupon Payment	15-Dec-25	30	883.56
Coupon Payment	15-Jan-26	31	913.01
Coupon Payment	15-Feb-26	31	913.01
Coupon Payment	15-Mar-26	28	824.66
Coupon Payment	15-Apr-26	31	913.01

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Coupon Payment	15-May-26	30	883.56
Coupon Payment	15-Jun-26	31	913.01
Coupon Payment	15-Jul-26	30	883.56
Coupon Payment	15-Aug-26	31	913.01
Coupon Payment	15-Sep-26	31	913.01
Coupon Payment	15-Oct-26	30	883.56
Coupon Payment	15-Nov-26	31	913.01
Coupon Payment	15-Dec-26	30	883.56
Coupon Payment	15-Jan-27	31	913.01
Coupon Payment	15-Feb-27	31	913.01
Coupon Payment	15-Mar-27	28	824.66
Coupon Payment	15-Apr-27	31	913.01
Coupon Payment	15-May-27	30	883.56
Coupon Payment	15-Jun-27	31	913.01
Coupon Payment	15-Jul-27	30	883.56
Coupon Payment	15-Aug-27	31	913.01
Coupon Payment	15-Sep-27	31	913.01
Coupon Payment	15-Oct-27	30	883.56
Coupon Payment	15-Nov-27	31	913.01
Coupon Payment	15-Dec-27	30	883.56
Coupon Payment	15-Jan-28	31	910.52
Coupon Payment	15-Feb-28	31	910.52
Coupon Payment	15-Mar-28	29	851.78
Coupon Payment	15-Apr-28	31	910.52
Coupon Payment	15-May-28	30	881.15
Coupon Payment	15-Jun-28	31	910.52
Coupon Payment	15-Jul-28	30	881.15
Coupon Payment	15-Aug-28	31	910.52
Coupon Payment	15-Sep-28	31	910.52
Coupon Payment	15-Oct-28	30	881.15
Coupon Payment	15-Nov-28	31	910.52
Principal Payment plus Coupon Payment	15-Dec-28	30	1,00,881.15

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ANNEXURE VII: BOARD RESOLUTIONS



EXTRACT OF THE MINUTES OF THE BOARD OF DIRECTORS MEETING OF FINCARE SMALL FINANCE BANK LIMITED ("THE COMPANY"/ "THE BANK") HELD ON MONDAY, FEBRUARY 20, 2023, AT 5TH FLOOR, BREN MERCURY, KAIKONDANAHALLI, SARJAPUR MAIN ROAD, BANGALORE – 560035 AT 11:00 A.M.

Item No. 8 Approval on issue of Unsecured Non- Convertible Debentures

"RESOLVED THAT pursuant to the provisions of Sections 42, 71, 179 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 18 of the Companies (Share Capital and Debenture) Rules, 2014 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the relevant rules / regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and/or any other regulatory authority, the relevant provisions of Memorandum and Articles of Association of the Bank and subject to the rules, regulations, guidelines and circulars issued thereunder from time to time by any Regulatory Authorities, subject to approval of shareholders, the consent of Board of Directors of the Bank be and is hereby accorded to offer, issue and allot on a private placement basis Secured/ Unsecured, Rated, Redeemable Non-Convertible Debentures upto a value of 200 Crs (Indian Rupees Two Hundred Crore), within a period of 1 (one) year from the date of passing of this resolution, on such terms and conditions and in one or more tranches and at par or at such premium/discount, as may be decided by the Board, to such person or persons, including but not limited to, one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/ provident funds, individuals, as the case may be or such other person/persons as the Board may decide.

RESOLVED FURTHER THAT any of the Director of the Board of the Bank, its Chief Financial Officer and Company Secretary be and is hereby severally authorized to do all such acts, deeds and things to give effect to the above resolution including appointment of trustees, registrar and share transfer agents or such other intermediaries, fixing the terms and conditions for the issue of NCDs including but not limited to the price, coupon, premium, discount, tenor, etc. preparation and authentication of offer letters, issue and allotment of debentures, authorizing officers of the Bank or such other intermediaries in connection with the issue of NCDs or any other matter incidental or ancillary thereto

RESOLVED FURTHER THAT Mr. Rajeev Yadav, Managing Director & Chief Executive Officer or Ms. Shefaly Kothari, Company Secretary of the Bank be and is severally authorized to FINCARE SMALL FINANCE BANK LIMITED

Registered Office: 301-306, 3rd Floor, ABHUEET -V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad-380006, Gujarat

Corporate Office: #835/39 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru 560035, Karnataka

Website: www.fincarebank.com Email: sfbcompsec@fincarebank.com Tel: 080-42504444

CIN: U67120G1995PLC025373

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)



issue the certified true copy of the said resolution and file necessary forms with the Registrar of Companies, Ahmedabad."

For Fincare Small Finance Bank Limited



Shafaly Kothari
Company Secretary

FINCARE SMALL FINANCE BANK LIMITED

Registered Office: 301-306, 3rd Floor, ABHJEET -V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad-380006, Gujarat

Corporate Office: #835/39 5th Floor, Bren Mercury, Kalkondanahalli, Sarjapur Main Road, Bengaluru 560035, Karnataka

Website: www.fincarebank.com Email: sfbcomsec@fincarebank.com Tel: 080-42504444

CIN: U67120GJ1995PLC025373

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CERTIFIED TRUE COPY OF THE RESOLUTION PASSED BY WAY OF CIRCULATION BY THE BOARD OF DIRECTORS ("THE BOARD") OF FINCARE SMALL FINANCE BANK LIMITED ("THE BANK") ON JUNE 15, 2023

CIRCULAR RESOLUTION NO. 08/2023-24

Approval for allotment of Rated, Listed, Unsecured, Subordinated, Redeemable, Lower Tier II Bonds of face value of Rs. 100,000/- each.

"RESOLVED THAT 4,900 (four thousand and nine hundred) rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures denominated in Indian Rupees ("INR"), having a face value of INR 1,00,000 (Indian Rupees One Lakh) each and an aggregate face value of INR 49,00,00,000 (Indian Rupees Forty Nine Crore) ("Debentures"), issued on a private placement basis, on the terms and conditions set out in the placement memorandum dated June 15, 2023 issued by the Bank, the private placement offer and application letter dated June 15, 2023 issued by the Bank, and the debenture trust deed dated June 15, 2023 ("DTD") executed between the Bank and Catalyst Trusteeship Limited ("Debenture Trustee"), in respect of the Debentures, be and are hereby allotted to the entity specified below (the "Allottee(s)") on the deemed date of allotment, being June 15, 2023 ("Deemed Date of Allotment"), as follows:

PARTICULARS OF THE DEBENTURES	No. of Debentures	Face Value	TENOR	Rate OF INTEREST	Debenture Holder(s)/ ALLOTTEE(s)
Rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures	4900	INR 1,00,000 (Indian Rupees One Lakh) per Debenture	5 (five) years and 6 (six) months from the Deemed Date of Allotment, i.e., until December 15, 2028	10.75% (ten decimal seven five percent) per annum, payable monthly in accordance with the terms of the DTD	SK Finance Limited

RESOLVED FURTHER THAT the Bank be and is hereby authorised to enter the name of the Allottee in the Register of Debenture Holders of the Bank as the holders of the Debentures, and, any director, Mr. Keyur Doshi, Ms. Shefaly Kothari ("Authorised Persons") be and are hereby severally authorised, to enter the name of the Allottee(s) in the Register of Debenture Holders of the Bank.

RESOLVED FURTHER THAT the Authorised Persons be and are hereby severally authorised to:

- (a) do all other acts, deeds and things in connection with the allotment of the Debentures, including without limitation the issue and delivery of letters of allotment, issuing debenture certificate(s), paying stamp duty on the Debentures, filing return of allotment with the jurisdictional registrar of companies; and

FINCARE SMALL FINANCE BANK LIMITED

Registered Office: 301-306, 3rd Floor, ABHUEET -V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali Ahmedabad – 380006, Gujarat

Corporate Office: #835/39 5th Floor, Breen Mercury, Kalkondanahalli, Sarjapur Main Road, Bengaluru-560035, Karnataka

Website: www.fincarebank.com, Email: sfbcorpsec@fincarebank.com, Tel: 080-52504444

CIN: U67120GU1995PLC025373

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)



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- (b) execute all such documents, and do all such acts, deeds and things, as may be required to give effect to the allotment of the Debentures or may be necessary or expedient to implement these resolutions.

RESOLVED FURTHER THAT copies of the foregoing resolutions certified to be true copies by any Director or the Company Secretary of the Bank be furnished to any person(s) as may be deemed necessary.*

For Fincare Small Finance Bank Limited

A handwritten signature in blue ink, appearing to read "Shefaly Kothari".

Shefaly Kothari
Company Secretary

Date: June 15, 2023

FINCARE SMALL FINANCE BANK LIMITED

Registered Office: 301-306, 3rd Floor, ABHURET -V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali Ahmedabad - 380006, Gujarat

Corporate Office: #835/39 5th Floor, Bren Mercury, Kalkondanahalli, Sarjapur Main Road, Bengaluru-560035, Karnataka

Website: www.fincarebank.com Email: sfbcompsec@fincarebank.com Tel: 080-67504444

CIN: U67120GJ1995PLC025373

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ANNEXURE VIII: SHAREHOLDERS' RESOLUTION



CERTIFIED TRUE COPY OF THE SPECIAL RESOLUTION PASSED BY THE SHAREHOLDERS OF FINCARE SMALL FINANCE BANK LIMITED (HEREINAFTER REFERRED TO AS "THE BANK/THE COMPANY") AT THEIR EXTRA-ORDINARY GENERAL MEETING HELD ON WEDNESDAY, MARCH 15, 2023 AT THE CORPORATE OFFICE OF THE BANK SITUATED AT 5TH FLOOR, BREN MERCURY, KAIKONDANAHALLI, SARJAPUR MAIN ROAD, BANGALORE-560035 AT 11:30 A.M.

Item No. 3: Approval to raise funds through Private Placement of Secured/Unsecured, Rated, Redeemable Non-Convertible Debentures (NCDs)

Mr. Pankaj Gulati proposed to which Mr. Keyur Doshi seconded and the following resolution was unanimously passed as **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 18 of the Companies (Share Capital and Debenture) Rules, 2014 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the relevant rules / regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and/or any other regulatory authority, the relevant provisions of Memorandum and Articles of Association of the Bank and subject to the rules, regulations, guidelines and circulars issued thereunder from time to time by any Regulatory Authorities, the consent of members of the Bank be and is hereby accorded to offer, issue and allot on a private placement basis in one or more tranches, Secured/ Unsecured, Rated, Redeemable Non-Convertible Debentures within a period of 1 (one) year from the date of passing of this resolution, provided that the amount raised through NCDs during this period of 1 year shall not exceed Rs. 200 Crores (Indian Rupees Two Hundred Crore) on such terms and conditions and at par or at such premium/discount, as may be decided by the Board, to such person or persons, including but not limited to, one or more companies, bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/ provident funds, individuals, as the case may be or such other person/persons as the Board may decide.

**Certified to be true,
For Fincare Small Finance Bank Limited**

A handwritten signature in blue ink, appearing to read "Shefaly Kothari", is written over a circular stamp.

**Shefaly Kothari
Company Secretary**

FINCARE SMALL FINANCE BANK LIMITED

Registered Office: 301-306, 3rd Floor, ABHJEET -V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali Ahmedabad – 380006, Gujarat

Corporate Office: #835/39 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru-560035, Karnataka
www.fincarebank.com

CIN: U67120GJ1995PLC025373

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ANNEXURE IX: DUE DILIGENCE CERTIFICATES

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CTL/23-24/01133

(Annexure IIA)

DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE AT THE TIME OF FILING THE DRAFT OFFER DOCUMENT OR PRIVATE PLACEMENT MEMORANDUM/ INFORMATION MEMORANDUM
(Applicable for Secured and Unsecured Issuances)

To,

BSE Limited,
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001

Dear Sir / Madam,

SUB.: Issue of 4,900 (Four Thousand and Nine Hundred) rated, subordinated, unsecured, listed, transferable, redeemable, non-convertible debentures denominated in Indian Rupees ("INR"), each having a face value of INR 1,00,000 (Indian Rupees One Lakh) and aggregating to INR 49,00,00,000 (Indian Rupees Forty Nine Crore) on a private placement basis by Fincare Small Finance Bank Limited.

We, the debenture trustee(s) to the above-mentioned forthcoming issue state as follows:

- 1) We have examined documents pertaining to the said issue and other such relevant documents, reports and certifications.
- 2) On the basis of such examination and of the discussions with the Issuer, its directors and other officers, other agencies and on independent verification of the various relevant documents, reports and certifications:

We confirm that:

- a) The Issuer has made adequate provisions for and/or has taken steps to provide for adequate security for the debt securities to be issued and listed- **Not Applicable.**
- b) The Issuer has obtained the permissions / consents necessary for creating security on the said property(ies) – **Not Applicable.**
- c) The Issuer has made all the relevant disclosures about the security and its continued obligations towards the holders of debt securities - **Not Applicable.**
- d) Issuer has adequately disclosed all consents/ permissions required for creation of further charge on assets in offer document or private placement memorandum/ information memorandum and all disclosures made in the offer document or private placement memorandum/ information memorandum with respect to creation of security are in confirmation with the clauses of debenture trustee agreement – **Not Applicable.**
- e) Issuer has given an undertaking that charge shall be created in favour of debenture trustee as per terms of issue before filing of listing application – **Not Applicable.**

CATALYST TRUSTEESHIP LIMITED

Mumbai Office: Windsor, 6th Floor, 80A, C.I.T. Road, Kalina, Santacruz (East), Mumbai 400 099 Tel: +91 (22) 4922 0655 Fax: +91 (22) 4922 0926
Regd. Office: GDA House, Plot No. 88, Bhamburda Colony (Right), Poad Road, Pune 411 018 Tel: +91 (20) 66907269
Delhi Office: Office No. 850, 8th Floor, Kalkaji Building, 26, Kalkaji Grand Marg, New Delhi - 110021 Tel: +91 (31) 430 2902/322.
CIN No. U74999MH2007PLC130362 Email: info@trustee.com Website: www.catalysttrustee.com

Mumbai | Bangalore | Chennai | GIFT City | Kolkata



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- f) Issuer has disclosed all covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.), offer document or private placement memorandum/ information memorandum and given an undertaking that debenture trust deed would be executed before filing of listing application.
- g) All disclosures made in the draft offer document or private placement memorandum/ information memorandum with respect to the debt securities are true, fair and adequate to enable the investors to make a well-informed decision as to the investment in the proposed issue.

We have satisfied ourselves about the ability of the Issuer to service the debt securities.

Place: Mumbai
Date: June 13, 2023



For Catalyst Trusteeship Limited

For CATALYST TRUSTEESHIP LIMITED

Kalyani Pandey
Authorized Signatory

Ms. Kalyani Pandey
Compliance Officer

CATALYST TRUSTEESHIP LIMITED

Mumbai Office Windsor, 6th Floor, 80A, C.I.T. Road, Kalina, Santacruz (East), Mumbai 400 098 Tel: +91 (22) 4922 0955 Fax: +91 (22) 4922 0925

Regd. Office GDA House, Plot No. 95, Bhamburda Colony (B-14), Parel Road, Pune 411 038 Tel: +91 (20) 66901200

Delhi Office Office No. 810, 8th Floor, Kalash Building, 26, Kirti Khandi Marg, New Delhi - 110001 Tel: +91 (11) 430 2902/03.

CIN No. U74999MH2017PLC100462 Email: info@catalysttrustee.com Website: www.catalysttrustee.com

Pune | Mumbai | Bengaluru | Delhi | Chennai | GIFT City | Kolkata



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ANNEXURE X: DISCLOSURES PURSUANT TO THE SEBI DEBENTURE TRUSTEES OPERATIONAL CIRCULAR

- (a) **Details of assets, movable property and immovable property on which charge is proposed to be created**

Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (b) **Title deeds (original/ certified true copy by issuers/ certified true copy by existing charge holders, as available) or title reports issued by a legal counsel/ advocates, copies of the relevant agreements/ Memorandum of Understanding**

Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (c) **Copy of evidence of registration with Sub-registrar, Registrar of Companies, Central Registry of Securitization Asset Reconstruction and Security Interest (CERSAI) etc**

Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (d) **For unencumbered assets, an undertaking that the assets on which charge is proposed to be created are free from any encumbrances**

Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (e) **For encumbered assets, on which charge is proposed to be created, the following consents along-with their validity as on date of their submission:**

- (i) **Details of existing charge over the assets along with details of charge holders, value/ amount, copy of evidence of registration with Sub-registrar, Registrar of Companies, CERSAI, Information Utility (IU) registered with Insolvency and Bankruptcy Board of India (IBBI) etc. as applicable:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (ii) **Consent/ No-objection certificate (NOC) from existing charge holders for further creation of charge on the assets or relevant transaction documents wherein existing charge holders have given conditional consent/ permission to the Issuer to create further charge on the assets, along-with terms of such conditional consent/ permission, if any:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (iii) **Consent/ NOC from existing unsecured lenders, in case, negative lien is created by Issuer in favour of unsecured lenders:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (f) **In case of personal guarantee or any other document/ letter with similar intent is offered as security or a part of security:**

- (i) **Details of guarantor viz. relationship with the Issuer:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (ii) **Net worth statement (not older than 6 months from the date of debenture trustee agreement) certified by a chartered accountant of the guarantor:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

- (iii) **List of assets of the guarantor including undertakings/ consent/ NOC as per per para 2.1(b) and 2.1(c) of Chapter II of the SEBI Debenture Trustees Operational Circular:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

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- (iv) **Conditions of invocation of guarantee including details of put options or any other terms and conditions which may impact the security created:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (v) **Executed copies of previously entered agreements for providing guarantee to any other person, if any:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (g) **In case of corporate guarantee or any other document/ letter with similar intent is offered as security or a part of security:**
 - (i) **Details of guarantor viz. holding/ subsidiary/ associate company etc:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (ii) **Audited financial statements (not older than 6 months from the date of debenture trustee agreement) of guarantor including details of all contingent liabilities:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (iii) **List of assets of the guarantor along-with undertakings/consent/NOC as per per para 2.1(b) and 2.1(c) of Chapter II of the SEBI Debenture Trustees Operational Circular:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (iv) **Conditions of invocation of guarantee including details of put options or any other terms and conditions which may impact the security created:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (v) **Impact on the security in case of restructuring activity of the guarantor:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (vi) **Undertaking by the guarantor that the guarantee shall be disclosed as "contingent liability" in the "notes to accounts" of financial statement of the guarantor:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (vii) **Copy of Board resolution of the guarantor for the guarantee provided in respect of the debt securities of the Issuer:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
 - (viii) **Executed copies of previously entered agreements for providing guarantee to any other person, if any:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (h) **In case securities (equity shares etc.) are being offered as security then a holding statement from the depository participant along-with an undertaking that these securities shall be pledged in favour of debenture trustee(s) in the depository system:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (i) **Details of any other form of security being offered viz. Debt Service Reserve Account etc.:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (j) **Any other information, documents or records required by debenture trustee with regard to creation of security and perfection of security:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (k) **Declaration:** Not applicable as the Debentures are unsecured and subordinated debt instruments.

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- (l) **Terms and conditions of debenture trustee agreement including fees charged by debenture trustees(s):** Please refer the consent letter of the Debenture Trustee for terms and conditions of the appointment of the Debenture Trustee and fee of the Debenture Trustee.
- (m) **Details of security to be created:** Not applicable as the Debentures are unsecured and subordinated debt instruments.
- (a) **Process of due diligence carried out by the debenture trustee under the SEBI Debenture Trustees Operational Circular:** The Debenture Trustee has carried out due diligence in accordance with the manner prescribed under Applicable Law.
- (b) **Due diligence certificates as per the format specified in Schedule IVA of the Debt Listing Regulations:** Enclosed as Annexure IX. The due diligence certificate will be submitted to BSE along with the Placement Memorandum.

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ANNEXURE XI: IN-PRINCIPLE APPROVAL FROM BSE



DCS/COMP/PG/IP-PPDI/116/23-24

June 14, 2023

Fincare Small Finance Bank Limited
301-306, 3rd Floor, Abhijeet - V
Opp. Mayor's Bungalow, Law Garden Road
Mithakhali, Ahmedabad 380 006, Gujarat

Dear Sir/Madam

Re: Private Placement Of 4900 Rated, Subordinated, Unsecured, Listed, Transferable, Redeemable, Non-Convertible Debentures Denominated In Indian Rupees ("INR"), Having A Face Value of Rs.1 Lakh Each And Aggregating To Total Issue Size of Rs.49 Crores ("Debentures" Or "NCDs") (The Issue)

We acknowledge receipt of your application on the online portal on June 13, 2023 seeking in-principle approval for issue of captioned security. In this regard, the Exchange is pleased to grant in-principle approval for listing of captioned security subject to fulfilling the following conditions at the time of seeking listing:

1. Filing of listing application.
2. Payment of fees as may be prescribed from time to time.
3. Compliance with SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and circulars issued thereunder and also Compliance with provisions of Companies Act 2013.
4. Receipt of Statutory & other approvals & compliance of guidelines issued by the statutory authorities including SEBI, RBI, DCA etc. as may be applicable.
5. Compliance with change in the guidelines, regulations, directions, circulars of the Exchange, SEBI or any other statutory authorities, documentary requirements from time to time.
6. Compliance with below mentioned circular dated June 10, 2020 issued by BSE before opening of the issue to the investors:
<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20200610-31>
7. Issuers, for whom use of EBP is not mandatory, specific attention is drawn towards compliance with Chapter XV of SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and BSE Circular No 20210519-29 dated May 19, 2021. Accordingly, issuers of privately placed debt securities in terms of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 or ILDM Regulations for whom accessing the electronic book platform (EBP) is not mandatory shall upload details of the issue with any one of the EBPs within one working day of such issuance. The details can be uploaded using the following links [Electronic Issuance - Bombay Stock Exchange Limited \(bseindia.com\)](#).



BSE Limited (Formerly Bombay Stock Exchange Ltd.)
Registered Office: Floor 25, P. J. Towers, Dalal Street, Mumbai 400 001, India.
T: +91 22 2072 1334/35 | E: corp_correspondence@bseindia.com | www.bseindia.com
Corporate Identity Number: U71200MH2009PTC150109

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8. It is advised that Face Value of NCDs issue through private placement basis should be kept as per Chapter V of SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and SEBI Circular No. SEBI/HO/DDHS/P/CIR/2022/00144 dated October 28, 2022.

9. Issuers are hereby advised to comply with signing of agreements with both the depositories as per Regulation 7 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021.

10. Company is further requested to comply with SEBI Circular SEBI/HO/DDHS/DDHS-RACPOD1/CIR/P/2023/56 dated April 13, 2023, (if applicable) read along with BSE Circular <https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20230428-18> and ensure compliance of the same.

This In-Principle Approval is valid for a period of 1 year from the date of issue of this letter or period of 1 year from the date of opening of the first offer of debt securities under the shelf placement memorandum, whichever is applicable. The Exchange reserves its right to withdraw its in-principle approval at any later stage if the information submitted to the Exchange is found to be incomplete/incorrect/misleading/false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and circulars issued thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Guidelines/Regulations issued by the statutory authorities etc. Further, it is subject to payment of all applicable charges levied by the Exchange for usage of any system, software or similar such facilities provided by BSE which the Company shall avail to process the application of securities for which approval is given vide this letter.

Yours faithfully,
For BSE Limited


Mangesh Tayde
Deputy General Manager


Raghavendra Bhat
Associate Manager

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ANNEXURE XII: SHAREHOLDING PATTERN

The shareholding pattern of the Issuer as of the last quarter end, i.e., March 31, 2023, prepared in accordance with the LODR Regulations is set out below:

SNo	Description	Cases	Shares	% Equity
1	ALTERNATIVE INVESTMENT FUND	1	168,840	0.08
2	BODIES CORPORATES	18	186,060,521	84.27
3	FOREIGN CORPORATE BODIES	4	18,251,424	8.27
4	H U F	2	18,887	0.01
5	NON RESIDENT INDIAN NON REPATRIABLE	1	20,000	0.01
6	QUALIFIED INSTITUTIONAL BUYER	5	3,747,660	1.70
7	RESIDENT INDIVIDUALS	158	5,138,091	2.33
8	TRUSTS	1	7,374,297	3.34
Total		190	220,779,720	100.00

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ANNEXURE XIII: FINALISED FORM OF THE PPOA (ALONG WITH ALL DISCLOSURES)

Attached separately.

FORM NO PAS-4

PRIVATE PLACEMENT OFFER CUM APPLICATION LETTER

[Pursuant to section 42 and rule 14(3) of Companies (Prospectus and Allotment of Securities) Rules, 2014]

1. GENERAL INFORMATION

a.	Name of the Company			Fincare Small Finance Bank Limited (Herein after referred to as Fincare SFB)	
b.	Address of the Company			301-306, 3rd Floor, ABHIJEET -V, Opp. Mayor's Bunglow, Law Garden Road, Mithakhali Ahmedabad- 380006 Gujarat	
c.	Website and other contact details of the Company			www.fincarebank.com Ph : +91 7940011000 Email : sfbcompsec@fincarebank.com	
d.	Date of incorporation of the company;			05/04/1995	
e.	Business carried on by the company and its subsidiaries with the details of branches or units, if any;			Fincare Small Finance Bank Limited is a banking Company holding RBI license issued in pursuance to Section 22(1) of the Banking Regulation Act, 1949 to carry Small Finance bank business in India providing banking services to its customers. Fincare SFB does not have any Subsidiary company.	
f.	Brief particulars of the management of the company			Particulars about the management of the company is enclosed as Annexure 1	
g.	Names, addresses, DIN and occupations of the directors				
	S.No.	Name	Address	DIN	Occupation
			Annexure 1		
h.	Management's perception of risk factors:-			Management does not see any risk in the proposed fund raise.	
i.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –				
	i) statutory dues;			NIL	
	ii) debentures and interest thereon;			NIL	
	iii) deposits and interest thereon;			NIL	
	iv) loan from any bank or financial institution and interest thereon.			NIL	

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j.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process;	Ms. Shefaly Kothari Company Secretary B-604, Purva Sunshine, Sarjapur Main Road, Kaikondanahalli, Bangalore-560102 Ph: 73496114778 Email Id : shefaly.kothari@fincarebank.com
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2. PARTICULARS OF THE OFFER

a.	Date of passing of board resolution	20 th February, 2023						
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities	15 th March, 2023						
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security	Rated, Listed, Unsecured, Subordinated, Redeemable, Lower Tier II Bonds Non-Convertible Debentures						
d.	Price at which the security is being offered including the premium, if any, along with justification of the price	Rs. 1,00,000/- each						
e.	Name and address of the valuer who performed valuation of the security offered	Since the Debentures are Unsecured, Non-Convertible and issued at par						
f.	Amount which the company intends to raise by way of securities	Rs. 49,00,00,000/-						
g.	Terms of raising of securities: Duration, if applicable, Rate of dividend or rate of interest, mode of payment and repayment	<table border="1"> <tr> <td data-bbox="1101 1153 1332 1232">Duration if applicable</td> <td data-bbox="1332 1153 1552 1232">5 Years 6 Months</td> </tr> <tr> <td data-bbox="1101 1232 1332 1310">Rate of interest or dividend</td> <td data-bbox="1332 1232 1552 1310">10.75%</td> </tr> <tr> <td data-bbox="1101 1310 1332 1592">Mode of payment</td> <td data-bbox="1332 1310 1552 1592">Cheque(s)/ demand draft/ electronic clearing service(ECS)/ credit through RTGS system/ fund transfer</td> </tr> </table>	Duration if applicable	5 Years 6 Months	Rate of interest or dividend	10.75%	Mode of payment	Cheque(s)/ demand draft/ electronic clearing service(ECS)/ credit through RTGS system/ fund transfer
Duration if applicable	5 Years 6 Months							
Rate of interest or dividend	10.75%							
Mode of payment	Cheque(s)/ demand draft/ electronic clearing service(ECS)/ credit through RTGS system/ fund transfer							
h.	Proposed time schedule for which the offer letter is valid	From the opening hours of June 15, 2023 to the Closing hours of June 15, 2023						
i.	Purposes and objects of the offer	The funds are being raised to meet the need of Business expansion						
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects	Not Applicable						
k.	Principle terms of assets charged as security, if applicable	Not Applicable						

3. DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.

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i.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons	NIL
ii.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	NIL
iii.	Remuneration of directors (during the current year and last three financial years)	Enclosed as Annexure-2
iv.	Related Party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	Enclosed as Annexure -3
v.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	NIL
vi.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	NIL
vii.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company	NIL

4. FINANCIAL POSITION OF THE COMPANY

I. Capital structure of the Company

<u>S.No.</u>	<u>Particulars</u>	<u>Number of Securities</u>	<u>Description</u>	<u>Aggregate Nominal Value</u>
i) a.	Authorised Capital	30,00,00,000	Equity Share Capital	300,00,00,000
b.	Issued Capital	22,07,79,720	Equity Share Capital	220,77,97,200
c.	Subscribed Capital	22,07,79,720	Equity Share Capital	220,77,97,200

(This Placement Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

d.	Paid up Capital	22,07,79,720	Equity Share Capital	220,77,97,200	
e.	Size of the Present offer	Nil	Nil	Nil	
f.	Paid up Capital (after the offer)	22,07,79,720		220,77,97,200	
g.	Share Premium Account (before the offer)	6,82,30,00,000			
h.	Share Premium Account (after the offer)	6,82,30,00,000			
ii)	Details of the existing share capital of the Company				
	Date of allotment	No of shares allotted	Face Value of shares allotted	Price	Form of consideration
	07.05.2009	1442500	10	10	Cash
	07.09.2009	589300	10	11	Cash
	07.09.2009	409000	10	10	Cash
	12.12.2009	225000	10	11	Cash
	25.10.2010	2762430	10	36.20	Cash
	19.06.2013	3488373	10	43	Cash
	20.12.2014	405063	10	10	Cash
	03.05.2016	68,68,132	10	91	Cash
	01.10.2016	1,11,05,123	10	111	Cash
	03.03.2017	69,95,073	10	203	Cash
	24.03.2017	26,10,837	10	203	Cash
	30.03.2017	98,523	10	203	Cash
	27.09.2018	15723932	10	89	Cash
	29.03.2019	3252695	10	266	Cash
	05.12.2019	6559436	10	131.47	Cash
	31.12.2019	615064	10	131.47	Cash
	27.04.2021	9982759	10	170	Cash
	04.05.2021	147186480	10	NA	NA

II. Summary of financial position of the Company

Amount in Lacs

Shareholder's funds	2022-23	2021-22	2020-21
Capital & Liabilities			
Capital	22,078	22,078	6,361
Employees stock options outstanding	1,458	638	100
Reserves and Surplus	107,835	97,471	95,330
Deposits	803,319	645,617	531,850
Borrowings	278,400	294,354	140,043
Other Liabilities and Provisions	33,679	29,999	23,024
Total	1,246,769	1090,157	796,708

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Assets			
Cash and balances with Reserve Bank of India	65,438	111,679	103,650
Balances with banks and money at call and short notice	11,781	11,917	11,913
Investments	252,284	215,163	127,936
Advances	870,242	703,696	530,112
Fixed Assets	5,631	4,234	3,619
Other Assets	41,393	43,468	19,478
Total	1,246,769	1090,157	796,708

I. Change in significant accounting policies

No change in accounting policy during last three financial years.

II. Others

<u>S.No.</u>	<u>Particulars</u>	Preceding Year 1 (2022-23)	Preceding Year 2 (2021-22)	Preceding Year 3 (2020-21)
a.	Profit before tax	12997	575	14642
b.	Profit after tax	10364	887	11314
c.	Dividends declared by the Company	-	-	-
d.	Interest Coverage Ratio	NA	NA	NA

5. A DECLARATION BY THE DIRECTORS

- the company has complied with the provisions of the Act and the rules made thereunder;
- the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government
- the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;

I am authorized by the Board of Directors of the Company vide resolution dated 30.05.2017 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Shefaly Kothari
Company Secretary

Date: June 15, 2023
Place: Bangalore

ANNEXTURE –1

Details of Directors of Company & Particulars about the management of the company

S.N.	Name of Director	Present Residential Address	DIN	Occupation
1	Pramod Kabra (Non-Executive Director & Chairman)	Planet Godrej, Tower 4, Flr 21 Simplex Mills Compound, Nr Jacobs Circle, Mahalaxmi, Mumbai,400011,Maharashtra, India	02252403	Service
2	Rajeev Yadav (Managing Director & Chief Executive Officer)	Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devara Beesana Halli, Bellandur, Bangalore 560 103, Karnataka, India	00111379	Service

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3	Alok Prasad (Independent Director)	144, Vista Villas, Opposite Unitech Cyber Park, Sector-46, Gurgaon 122001 HR	00080225	Service
4	Aarthi Sivanandh (Independent Director)	Flat E G R N Sri Kripa Apartments No. 36 East Abhiramapuram, 2nd Street, Mylapore, Chennai 600 004, Tamil Nadu, India	00140141	Service
5	Divya Sehgal (Nominee Director)	Flat No 1307 & 1308, Wing A, 13th Floor, Ashok Tower, Dr. Ambedkar Road, Parel, Mumbai 400 012, Maharashtra, India	01775308	Service
6	Dhiraj Poddar (Nominee Director)	G – 001, Springs, GD Ambedkar Marg, Near Wadala, Telephone Exchange, Dadar East, Mumbai 400 014, Maharashtra India	09146905	Service
7	Nanda Dave (Independent Director)	B1101-02, Paras Emperor, 11th Floor, Bawadia Kalan, Bhopal 462 039, Madhya Pradesh, India	08673208	Service
8	Narayanan Nadadur (Independent Director)	A – 503, Gulmohar Apartments, Ceaser Road, Amboli, Andheri West, Mumbai 400 058, Maharashtra, India	07877022	Service
9	Sameer Yogesh Nanavati (Nominee Director)	901/E, Safal Parivesh, Prahladnagar, Satelite Ahmedabad City, Ahmedabad, Manekbag 380 015, Gujarat, India	00157693	Service
10	Sunil Satyapal Gulati (Independent Director)	703 Sterling Sea Face Dr Ab Road Worli Mumbai 400018 MH IN	00016990	Service
11	Vinay Baijal (Independent Director)	701, Lodha Grandeur Sayani Road, Neat Parel St Dep Prabhadevi Mumbai 400025 MH IN	07516339	Service
12	Keyur Gopalbhai Doshi (Chief Financial Officer)	57, Vikas Nagar, Old Padra Road, Baroda 390020 GJ	ACOPD0302Q	Service
13	Shefaly Kothari (Company Secretary)	B-604, Purva Sunshine, Sarjapur Main Road, Kaikondanahalli, Bangalore-560102	AMIPK2156M	Service

*Management: KMP

ANNEXURE -2 Remuneration to Directors

(In Lakhs)	2022-23	2021-22	2020-21
Directors Remuneration			
Mr. Rajeev Yadav	304	386	295

ANNEXURES – 3 Related Party Transactions.

Particulars	2022-23	2021-22	2020-21
Management Consultancy Fees -India Finserve Advisors Private Limited	-	-	-

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Remuneration of Key Managerial Personals			
Mr. Rajeev Yadav	304	386	295
Mr. Keyur Doshi	145	137	121
Ms. Shefaly Kothari	37	32	28
Loan taken from related parties	-	-	-
-Relatives of KMP		11	-
Repayment of loan taken from related parties	-	-	-
Future Financial Services Private Limited			
Interest paid on loan taken from Related parties	-	-	
-Fincare Business Services Limited			4
-Relatives of KMP	1	1	
Loan given to related parties	-	-	-
Future Financial Services Private Limited			
Lok Management Services Private Limited			
Repayment of loan from related parties	-	-	-
Future Financial Services Private Limited			
Lok Management Services Private Limited			
Interest received from loan given to Related parties	-	-	-
Future Financial Services Private Limited			
Closing Balance	-	-	-
Management Consultancy Payable			
India Finserve Advisors Private Limited			