

Serial No. []

Addressed to: []

Date: []

**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
Permanent Account Number (PAN): AABC6398N
Date of Incorporation: 05/04/1995
Place of Incorporation: Gujarat
Registration number issued by the Reserve Bank of India:
Registered Office: 301-306, 3rd Floor, Abhijeet - V, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad 380 006, Gujarat, India

Corporate Office: 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru - 560035
Telephone No.: +91 7940011000
Compliance Officer: Ms. Shefaly Kothari (available at the 5th Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru - 560035)
Email: sfbcompsec@fincarebank.com
Website: www.fincarebank.com

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 15,000 (Fifteen thousand) 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 150,00,00,000/- (Indian Rupees One Hundred Fifty Crores) including a green shoe option of 7,500 (Seven Thousand Five Hundred) ("Debentures" or "NCDs" or "Bonds") on a private placement basis (the "Issue"). Certain details of the Debentures are as follows:

- Rating:** The Debentures are rated as "A (Stable)" by ICRA Limited pursuant to the letter/press release dated June 9, 2023 & Jun 20, 2023 and CARE Ratings Limited pursuant to letter/press release dated June 22, 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.

Issue Schedule

Issue Opening on: July 04, 2023

Issue Closing on: July 04, 2023

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

Deemed Date of Allotment: July 05, 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 DLF 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

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 26, 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.
Cre / Cr. / Crs.	Ten Million
Debentures/NCDs	means 15,000 (Fifteen thousand) 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 150,00,00,000/- (Indian Rupees One Hundred Fifty Crores) including a green shoe option of 7,500 (Seven Thousand Five Hundred)
Debenture Holders/ Investors	means each person who is: (a) registered as a Beneficial Owner; and (b) registered as a debenture holder in the Register of Debenture Holders. (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, and "Debenture Holder" or "Investor" shall be construed accordingly.
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.
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 July 05, 2023.
Demat	means the dematerialized securities which are securities that are in electronic form, and not in physical form, with the entries noted by

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	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	July 04, 2023
Issue Opening Date	July 04, 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 by ICRA Limited pursuant to the letter/press release dated June 9, 2023 & Jun 20, 2023 and CARE Ratings Limited pursuant to letter/press release dated June 22, 2023.
Rating Agency	means ICRA Limited & CARE Ratings Limited
RBI	Reserve Bank of India.
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 5 (Five) 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

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	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: (a) the DTD; (b) the Debenture Trustee Agreement; (c) the Debt Disclosure Documents; (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; (e) each tripartite agreement between the Issuer, the Registrar and the relevant Depository; (f) the resolutions and corporate authorisations provided pursuant to the Conditions Precedent; and (g) any other document that may be designated as a Transaction Document by the Debenture Trustee or the Debenture Holders,

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	and "Transaction Document" means any of them.
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	means: (a) subject to (b) and (c) below, means any day on which commercial banks in Mumbai, India are open for business; (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 (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, and "Business Days" shall be construed accordingly.
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 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 January 05, 2029.
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

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	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 being 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.

Confidential

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

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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 if there is a secondary market for the Debentures, it is not likely to provide significant

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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.**

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- 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 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, 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

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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 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 downgrading 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.

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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.

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	July 04, 2023
Issue Closing Date	July 04, 2023
Pay In Date	July 05, 2023
Deemed Date of Allotment	July 05, 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

Name	CARE Ratings Limited
Logo	
Address	Unit No. 205-208, 2 nd Floor, Prestige Meridian 1, No. 29, M. G. Road, Bengaluru, Karnataka - 560001
Website	www.careedge.in
E-mail address	Sandeep.Kumar@careedge.in
Telephone Number	+91-9986434220
Contact Person Details	Mr. Sandeep Kumar

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(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	inward.ris@kfintech.com
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	A K Capital Services Limited
Logo	
Address	601-602, 6 th floor, Windsor, off CST Road, Kalina, Santacruz - (East), Mumbai – 400 098

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Website	www.akgroup.co.in
E-mail address	compliance@akgroup.co.in
Telephone Number	+91-22-67546500
Contact Person Details	Mr. Tejas Davda

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)

(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.

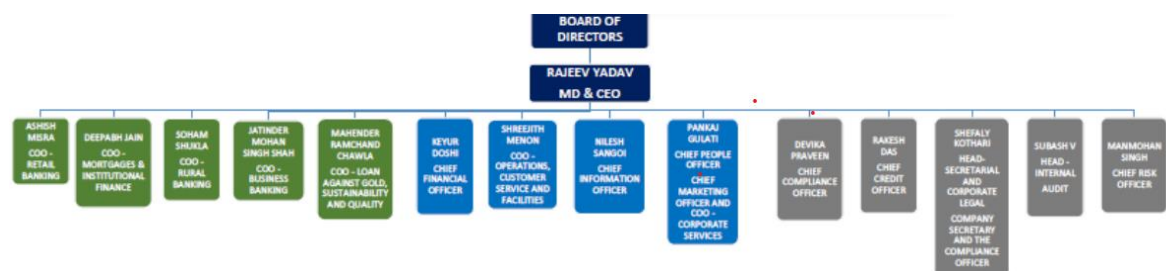
Fincare Small Finance Bank Limited is a Scheduled Bank in India having commenced its operations as a small finance bank with effect from July 21, 2017. The Bank has been accorded the Scheduled Bank status by Reserve Bank of India vide Notification No. DBR.NBD. (SFB-Fincare). No.8140/16/13.216/2018-19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

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

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

Standalone

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

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.

- (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

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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)	NA	NA	NA
Financial (borrowings, trade payables, and other financial liabilities)			
Provisions			
Deferred tax liabilities (net)			
Other non-current liabilities			
Current Liabilities (including maturities of long-term borrowings)	NA	NA	NA
Financial (borrowings, trade payables, and other financial liabilities)			
Provisions			
Current tax liabilities (net)			
Other current liabilities			
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
Total comprehensive income (Profit Before Tax)	14,642	575	12,997
Profit / loss after tax	11,313	887	10,364

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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

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

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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

(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**.

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(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 DIRECTORS HIP	WHETHER WILLFUL DEFAULTER (Y/N)

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1	Pramod Kabra	Part-time Chairman and Non-Executive Director	02252 403	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	00111 379	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	00140 141	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	00080 225	8-Sep-52	71	20-Jul-17	144, Vista Villas, Opposite Unitech Cyber Park, Sector 45, Gurgaon 122 001, Haryana, India	<ul style="list-style-type: none"> • Arman Financial Services Limited; • Gang-Jong Development Finance Private Limited; and • Muthoot Microfin 	N

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								Limited	
5	Divya Sehgal	Nominee Director	01775308	20-Oct-72	51	13-Oct-21	Flat No 1307 & 1308, Wing A, 13th Floor, Ashok Tower, Dr. Ambedkar Road, Parel, Mumbai 400 012, Maharashtra, India	<ul style="list-style-type: none"> • Home First Finance Company India Limited; and • Niva Bup 	N
6	Dhiraj Poddar	Nominee Director	01946905	3-Nov-74	49	27-Sep-21	G – 001, Springs, GD Ambedkar Marg, Near Wadala, Telephone Exchange, Dadar East, Mumbai 400 014, Maharashtra India	<ul style="list-style-type: none"> • Atria Convergence Technologies Limited; • Indialdeas Com Limited; • Indira IVF Hospital Private Limited; • Loylty Rewardz Management Private Limited; • OmniActive Health Technologies Limited; • Prudent Corporate Advisory Services Limited; • Synokem Pharmaceuticals Limited and • Zifo Technologies Private Limited. 	N

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7	Nanda Sameer Dave	Independent Director	08673 208	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	07877 022	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	00157 693	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 Development Foundation); and • ILIFE Clinics and Research Private Limited 	N
10	Sunil Satyapal Gulati	Independent Director	00016 990	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	<ul style="list-style-type: none"> • Arthan Finance Private Limited; • Boson Systems Private Limited (formerly, Empays Payment Systems) 	N

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							a, India	India Private Limited); • Merisis Advisors Private Limited; • Perfios Account Aggregatio n Services Private Limited • Revgro Capital Private Limited; • Samunnati Financial Intermedia tion & Services Private Limited; • SBI Mutual Fund Trustee Company Private Limited; • Tapstart Capital Private Limited; • Varthana Finance Private Limited (formerly, Thirumeni Finance Private Limited); and • Visage Holdings and Finance Private Limited;	
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1	Vinay Baijal	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	<ul style="list-style-type: none"> • Aye Finance Private Limited; • Dreamplug Paytech Solutions Private Limited; and • Peridot Financial Services (India) Private Limited. 	N
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(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:**

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 Chandiok & Company LLP	11 th Floor, Tower II, One Financial Centre, SB Marg, Elphinstone West, Mumbai – 400013	2nd September 2014	31-Mar-21	NA

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NAME OF THE AUDITOR	ADDRESS	DATE OF APPOINTMENT	DATE OF CESSATION, IF APPLICABLE	DATE OF RESIGNATION, IF APPLICABLE
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
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

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NAME OF LENDER	TYPE OF FACILITY	AMOUNT SANCTIONED (IN INR, IN CRORE)	PRINCIPAL AMOUNT OUTSTANDING (IN INR, IN CRORE)	REPAYMENT DATE/SCHEDULE
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	REDEMPTION 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
Nil	Nil	Nil	Nil

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

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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.
 - (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.

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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 (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

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(*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 July 05, 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.

(j) ***Conditions with respect to all covenants of the Issue (including side letters, accelerated payment clause etc.):*** There are no other covenants other than as prescribed in the Transaction Documents. The Company may enter into additional fee/side letters with certain successful applicants, investors as may be agreed between

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 to

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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:

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 2029
Issuer / Company	Fincare Small Finance Bank Limited (“Bank”/ “Issuer”)
Type of Instrument	Subordinated, Rated, Listed, Unsecured, Transferable, Redeemable, Fully Paid Up, Non-Convertible Debentures (in form of subordinated debt to be categorized as Lower Tier II Capital in compliance with Basel II framework on Capital Adequacy) (“Bond”/ “NCDs”/ “Debentures”)
Nature of Instrument (Secured or Unsecured)	Unsecured, subordinated to the claims of other creditors, free of restrictive clauses, and not redeemable at the initiative of the holder or without the consent of the Reserve Bank of India.
Seniority (Senior or Subordinated)	<p>Subordinated</p> <p>The Debentures shall be:</p> <ol style="list-style-type: none"> Senior to the claims of investors in instruments eligible for inclusion in Tier I and upper Tier II capital of the Issuer and the Upper Tier II Capital of the Issuer; and Subject to (a) above, subordinated to the claims of the other creditors and depositors of the Issuer but shall rank pari passu with the other Lower Tier II capital instruments of the Issuer (whether present or future). eligible for classification as Lower Tier II Capital of the Issuer in accordance with the Basel II Framework.
Applicable Guidelines	These Debentures will be governed under Basel II under the RBI’s Master Circular on “Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)” issued on 1st July 2015 (“RBI Regulations”) as amended from time to time.
Mode of Issue	Private placement
Promoter & Promoter Group	<ul style="list-style-type: none"> Fincare Business Services Limited Such other Promoter/ Promoter group shall have the meaning as defined under Companies Act, 2013 and the SEBI Regulations.
Eligible Investors	<p>The following class of Investors (except Government undertakings) are eligible to participate in the offer (being “Eligible Investors”):</p> <ol style="list-style-type: none"> Qualified Institutional Buyers (QIBs) as defined under Regulation 2 (ss) of SEBI (Issue of Capital and Disclosure

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	<p>Requirements) Regulations, 2018 dated September 11, 2018, “Qualified Institutional Buyers” means</p> <ol style="list-style-type: none"> A mutual fund, venture capital fund, Alternative Investment Fund and Foreign Venture Capital Investor registered with SEBI. Foreign portfolio investor other than individuals, corporate bodies and family offices; a Public Financial Institution; a Scheduled Commercial Bank; a multilateral and bi-lateral development financial institution; a State Industrial Development Corporation; An insurance Bank registered with Insurance Regulatory and Development Authority of India; A Provident Fund with minimum corpus of Rs.25 Crore Rupees A Pension Fund with minimum corpus of Rs.25 Crores National Investment Fund set up by resolution No: F.No.2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; An insurance fund set up and managed by Army, Navy/ Air force of the Union of India; Insurance funds set up and managed by the Department of Posts, India; and Systemically, important Non- Banking Financial Companies Any other investor eligible to invest in these Debentures <p>b) Any Non-QIB person/ entity who is eligible to invest in bond/ debentures as per the concerned guidelines and regulations and permitted under Applicable Laws and who/ which has been authorized by the Issuer, to participate in a particular issue on the EBP platform.</p> <p><i>The advisor(s)/ arranger(s)/ placement agent(s), broker(s) associated with the Issue and/or their affiliates/ subsidiaries/ associates/ group companies and/or their promoters/ directors/ key managerial personnel/ officers/ employees may subscribe to the Issue as the applicable laws including but not limited to (i) SEBI (Merchant Bankers) Regulations, 1992 and Code of Conduct specified therein; (ii) Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 and Code of Conduct specified therein, as applicable, do not restrict them from subscribing to the Issue.</i></p>
Listing (including name of stock Exchange(s) where it will be	<p>a. The Debentures are proposed to be listed on the WDM of the BSE. The Debentures shall be listed within the timelines</p>

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listed and timeline for listing)	<p>prescribed under the SEBI Listing Timelines Requirements ("Listing Period").</p> <p>b. The Issuer shall ensure that the Debentures continue to be listed on the wholesale debt market segment of the BSE.</p> <p>c. In the event there is any delay in listing beyond the Listing Period, the Issuer will:</p> <ul style="list-style-type: none"> • pay to the Debentures Holders, a penal interest of 1% (One Percent) p.a. over the applicable Coupon Rate from the Deemed Date of Allotment until the listing of the Debentures is completed; and • be permitted to utilize the issue proceeds of its 2 (two) subsequent privately placed issuances of securities only after receiving final listing approval from the stock exchange(s).
Rating of the Instrument (Rating)	CARE A (Outlook : Stable) & ICRA A (Outlook : Positive)
Credit Rating Agency(ies)	CARE Ratings Limited & ICRA Limited
Issue Size	Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores) including a green shoe option of Rs. 75,00,00,000/- (Rupees Seventy-Five Crores)
Minimum Subscription	The minimum application size for the Issue shall be 100 (One Hundred) Debentures and in multiples of 1 (One) Debenture thereafter.
Option to retain oversubscription (Amount)	Green Shoe Option of up to Rs. 75,00,00,000/- (Rupees Seventy-Five Crores) to retain oversubscription on a private placement basis subject to overall issue size of 150,00,00,000/- as mentioned above.
Anchor Portion Details	Not Applicable
Objects of the Issue / Purpose for which there is requirement of funds	<p>The Issue Proceeds equivalent to 100% of the funds raised by the Issue will be to augment the Tier II Capital of the Issuer for strengthening the Issuer's capital adequacy and enhancing the Issuer's long-term resources and for the regular business activities of the Issuer.</p> <p>The Issuer further undertakes that it shall not carryout any other activities as may be prohibited by RBI and / or such other regulators as may be applicable from time to time.</p>
In case the issuer is a NBFC and the objects of the issue entail loan to any entity who is a 'group Issuer' then disclosures shall be made in the following	Not Applicable

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format:	
Objects of the Issue / Purpose for which there is requirement of funds	<p>The Issue Proceeds equivalent to 100% of the funds raised by the Issue will be to augment the Tier II Capital of the Issuer for strengthening the Issuer's capital adequacy and enhancing the Issuer's long-term resources and for the regular business activities of the Issuer.</p> <p>The Issuer further undertakes that it shall not carryout any other activities as may be prohibited by RBI and / or such other regulators as may be applicable from time to time.</p>
Coupon Rate	10.75% p.a.
Step Up Coupon Rate	Not Applicable
Coupon Payment Frequency	Monthly and on Redemption Date
Coupon Payment Date(s)	<p>The Coupon shall be payable on a monthly basis starting from August 05, 2023 from the Deemed Date of Allotment and on the Redemption Date (subject to the Business Day convention).</p> <p>The Coupon Payment Dates are specifically set out in Annexure I hereto.</p>
Cumulative / Non-Cumulative, in case of dividend	Not Applicable
Coupon Type / Coupon Rate Paramter (Fixed, floating or other structure)	Fixed
Coupon Rate Reset Date(s)	Not Applicable
Coupon Reset Process/ Spread Reset Process (including rates, spread, effective date, interest rate cap and floor etc.).	Not Applicable
Day Count Basis (Actual/Actual)	Interest and all other charges shall accrue based on an actual/actual basis.
Interest on Application Money	At the Coupon rate (subject to deduction of tax at source, as applicable) from the date of realization of cheque(s)/ demand draft(s)/ RTGS up to one day prior to the Deemed Date of Allotment. Where pay-in Date and Deemed date of Allotment are the same, no interest on Application money is to be paid.
Default Interest Rate/ Additional Interest Rate	If, at any time, a Payment Default occurs, the Issuer agrees to pay additional coupon at the rate of 2% (Two Percent) per annum over and above the applicable Coupon Rate on all amounts outstanding Debentures (including the Outstanding Principal Amounts and any accrued but unpaid interest) from the date of occurrence of such Payment Default until such default is cured or the Debentures are fully redeemed.
Tenor	5 years 6 months from the Deemed Date of Allotment

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Redemption Amount	Bullet, At par
Redemption Date	January 05, 2029
Redemption Premium/ Discount	Not Applicable
Issue price	Rs. 1,00,000/- (Rupees One Lakh Only) Per Debenture
Discount at which security is issued and the effective coupon as a result of such discount.	Not Applicable
Put Option	Not Applicable
Put Option Date(s)	Not Applicable
Put Option Price	Not Applicable
Put Notification Time (Timelines by which the investor need to intimate Issuer before exercising the put)	Not Applicable
Call Option	Not Applicable
Call Option Date(s)	Not Applicable
Call Option Price	Not Applicable
Call Notification Time (Timelines by which the investor need to intimate Issuer before exercising the call)	Not Applicable
Face Value	Rs. 1,00,000/- (Rupees One Lakh Only) per Debenture
Minimum application and multiples of Debt securities thereafter	The minimum application size for the Issue shall be 100 (One Hundred) Debentures and in multiples of 1 (One) Debenture thereafter.
Issue Timing	
1. Issue Opening Date	July 04, 2023
2. Issue Closing Date	July 04 2023
3. Date of earliest closing of the issue, if any.	NA
4. Pay-in Date	July 05, 2023
5. Deemed Date of Allotment	July 05, 2023
Bidding Details	Open
Mode of Allotment	Uniform
Manner of Settlement	ICCL
Settlement Cycle	T+1
Settlement Mode of the Instrument	All interest, principal repayments, penal interest and other amounts, if any, payable by the Issuer to the Debenture Holders shall be paid to the Debenture Holders by electronic mode of

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	transfer like RTGS/NEFT/direct credit to such bank account within India as the Debenture Holders' inform the Issuer in writing and which details are available with the Registrar.
Issuance mode of the Instrument	On a Private Placement basis on a dematerialized form
Trading mode of the Instrument	Dematerialized form
Depository	NSDL and CDSL
Disclosure of Interest/Dividend/redemption dates	Please refer Annexure I for the indicative cash flows.
Record Date	A Register of Debenture Holders shall be maintained in accordance with Section 88 of the Companies Act, 2013 and the Register of Debenture Holders/the Register of Beneficial Owners, shall be closed 5 (Five) Calendar days prior to each Due Date.
All covenants of the Issue (including side letters, accelerated payment clause etc.)	As mentioned in the Transaction Documents
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 Offer Document/ Placement Memorandum.	<p style="font-size: 48pt; opacity: 0.5; text-align: center;">onfidential</p> <p>The Debentures to be issued are unsecured in nature.</p>
Transaction Documents	<p>The Issuer has executed/shall execute the documents including but not limited to the following, as required, in connection with the Issue as per latest SEBI guidelines/ Companies Act 2013 (as applicable) for issuance of Debentures through private placement:</p> <ol style="list-style-type: none"> Debenture Trustee Agreement Placement Memorandum Term sheet Private Placement Offer Letter (Form PAS-4) Debenture Trust Deed Such other documents as agreed between the Issuer and the

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	Debenture Trustee
Conditions Precedent to Disbursement	<ul style="list-style-type: none"> a. The Bank shall ensure that all regulatory requirements under applicable RBI Regulations for banks have been met. b. Execution of the Transaction Documents c. Due diligence certificate (Annexure A) issued by the Trustee in accordance with the SEBI circular dated November 03, 2020 (bearing reference no SEBI/HO/MIRSD/CRADT/CIR/P/2020/218) d. Rating Rationale and press release from the Credit Rating Agency; e. Rating Letter from the Credit Rating Agency. f. Debenture Trustee Consent Letter. g. Tripartite agreement(s) executed between the Issuer, the Registrar and the relevant Depository; h. BSE in-principal approval. i. a certified true copy of the resolution of the shareholders of the Bank under section 42 of the Companies Act, 2013. j. A certified true copy of the resolution of the shareholders of the Issuer in accordance with Section 180(1)(c) of the Companies Act certified as correct, complete and in full force and effect by an authorised person of the Issuer. k. a certified true copy of the resolution of the Board of Directors of the Bank, under Section 179 of the Companies Act, 2013 authorizing the issue of Debentures as also execution and delivery of the Transaction Documents in that behalf. l. Copy of the Issuer's Constitutional Documents certified as correct, complete and in full force and effect by an authorised person of the Issuer. m. Duly completed certified/ self-attested KYC Documents Issuer and Authorized Signatories of the Issuer who are executing the Transaction Documents. n. The Bank shall ensure that the other approvals and consents from third parties, if required in relation to the transactions contemplated herein shall have been received by the Bank.
Conditions Subsequent to Disbursement	<p>The Issuer shall fulfill the following conditions subsequent, to the satisfaction of the Debenture Trustee, pursuant to the Deemed Date of Allotment:</p> <ul style="list-style-type: none"> a. Receipt of Due diligence certificate (Annexure B) issued by the Debenture Trustee in accordance with the SEBI circular dated November 03, 2020 (bearing reference no SEBI/HO/MIRSD/CRADT/CIR/P/2020/218) b. the Issuer shall ensure that the Debentures are allotted to the respective Debenture Holders and are

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	<p>credited into the demat accounts of the relevant Debenture Holders within the timelines prescribed under the SEBI Listing Timelines Requirements.</p> <p>c. The Issuer will ensure listing of Debentures on the BSE within time period prescribed under the SEBI Listing Timelines Requirements</p> <p>d. The Issuer shall file a copy of Form PAS-3 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 with the relevant registrar of companies within 15 days from the Deemed Date of Allotment;</p> <p>e. The Issuer shall provide the details on utilisation of funds raised through the issue of Debentures duly certified by the Issuer's statutory auditor to the Debenture Trustee within stipulated timelines as required by law;</p> <p>f. Execution of any other documents as the Debenture Trustee may require.</p>
Representation & Warranties	As set out in detail in the Debenture Trust Deed.
Affirmative and Reporting Covenants	<p>(a) Use of Proceeds</p> <p>The Issuer shall use the proceeds of the Issue only for the Purpose and in accordance with Applicable Law and the Transaction Documents, and shall not use the proceeds for the Object set out in this Term Sheet.</p> <p>(b) Preserve Corporate Status</p> <p>The Issuer shall diligently preserve and maintain its corporate existence and status and all rights, privileges, and concessions now held or hereafter acquired by it in the conduct of its business.</p> <p>(c) Furnish Information to Debenture Trustee</p> <p>(i) The Issuer shall provide to the Debenture Trustee or its nominee(s)/agent(s) such information/copies of relevant extracts as may be required by the Debenture Trustee for the effective discharge of its duties and obligations hereunder;</p> <p>(ii) within 45 (forty five) days of each Quarterly Date or within 7 (seven) days of any relevant meeting of the board of directors, whichever is earlier, furnish reports/quarterly reports to the Debenture Trustee (as may be required in accordance with Applicable Law) containing the following particulars:</p> <ul style="list-style-type: none"> • updated list of the names and addresses of the Debenture Holders along with the number of Debentures held by each Debenture Holder. Such information will be provided on the basis of the information available in the records of the Depositories; • details of the interest due, but unpaid and reasons thereof; and • the number and nature of grievances received from the

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	<p>Debtenture Holders and resolved and unresolved by the Issuer along with the reasons for the same.</p> <ul style="list-style-type: none"> ▪ It is clarified that this provision has been incorporated solely to ensure compliance with the requirement of the SEBI (Debtenture Trustees) Regulations, 1993 and the SEBI (Issue and Listing of Non-Convertible Securities), 2021 that a debtenture trust deed complies with Form SH-12; and <p>(d) Redressal of Grievances</p> <p>The Issuer shall promptly and expeditiously attend to and redress the grievances, if any, of the Debtenture Holders.</p> <p>(e) Comply with Investor Education and Protection Fund Requirements</p> <p>The Issuer shall comply with the provisions of the Companies Act relating to transfer of unclaimed/ unpaid amounts of interest on Debtentures and redemption of Debtentures to Investor Education and Protection Fund ("IEPF"), if applicable to it.</p> <p>(f) Further Assurances</p> <p>The Issuer shall:</p> <ul style="list-style-type: none"> (i) comply with: <ul style="list-style-type: none"> (A) all Applicable Law (including but not limited to the Companies Act, the SEBI Listed Debtentures Circulars, the SFB Directions, the environmental, social and taxation related laws, all directions issued by the RBI to small finance banks), as applicable in respect of the Debtentures; and (B) if so required, the requirements prescribed under Chapter XI (<i>Operational framework for transactions in defaulted debt securities post maturity date/ redemption date</i>) of the Listed NCDs Operational Circular, and provide all details/intimations to the Debtenture Trustee, the Depositories, and BSE (as the case may be) in accordance with the aforementioned requirements; and (ii) if so required by Applicable Law, maintain the Register of Debtenture Holders in the manner prescribed under Applicable Law. <p>(g) Execution of Transaction Documents</p> <p>In the event of any delay in the execution of any Transaction Document (including this Deed), the Issuer shall, at the option of the Debtenture Holders, either:</p> <ul style="list-style-type: none"> (i) if so required by the Debtenture Holders, refund the Application Money together with interest (including interest accrued) at the Interest Rate/dischARGE the Obligations; and/or
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	<p>(ii) pay to the Debenture Holders additional interest at the rate of 2% (two percent) per annum on the Outstanding Principal Amounts in addition to the Interest Rate until the relevant Transaction Document is duly executed or the Obligations are discharged (whichever is earlier).</p> <p>(h) Books of accounts</p> <p>The Issuer shall maintain its accounts and records in accordance with Applicable Law.</p> <p>(i) Information Covenants</p> <p>The Issuer shall provide the details of the following to the Debenture Trustee within the time period set out below:</p> <p>i) any significant changes in the composition of the board of directors of the Issuer or any significant changes in the management resulting into change in management control of the Issuer, promptly upon occurrence of such change;</p> <p>(j) Listing and Monitoring Requirements</p> <p>(a) Monitoring and Due Diligence</p> <p>(i) 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 (<i>Periodical/ Continuous Monitoring by Debenture Trustee</i>) 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 (<i>Periodical/ Continuous Monitoring by Debenture Trustee</i>) of the SEBI Debenture Trustees Operational Circular.</p> <p>(ii) The Issuer further undertakes to comply with all requirements applicable to it under the SEBI Debenture Trustees Operational Circular and the SEBI Listed Debentures Circulars, and provide all documents/information as may be required by the Debenture Trustee in accordance with the SEBI Debenture Trustees Operational Circular, the SEBI Listed Debentures Circulars or any other Applicable Law.</p> <p>(b) Requirements under the LODR Regulations</p> <p>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</p>
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	<p>extent applicable) and Chapter V of the LODR Regulations (to the extent applicable)).</p> <p>(k) Others</p> <p>(i) The Issuer shall ensure due compliance and adherence to the SEBI Listed Debentures Circulars in letter and spirit.</p> <p>(ii) 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.</p> <p>(iii) The Issuer and the Debenture Trustee hereby agree and covenant to comply with the requirements prescribed under Chapter III (<i>Security and Covenant Monitoring System</i>) of the SEBI Debenture Trustees Operational Circular in respect of the Debentures and the transactions contemplated in the Transaction Documents.</p> <p>(l) Undertakings</p> <p>If a Payment Default has occurred and is continuing, the Issuer shall not, without the prior written consent of the Debenture Trustee (acting on the instructions of Majority Debenture Holders), declare or pay any dividend to its shareholders (including holders of preference shares) during any Financial Year unless it has paid or made arrangements to pay (to the satisfaction of the Debenture Trustee) all the dues to the Debenture Holders/Debenture Trustee up to the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions thereof.</p> <p>The Debenture Trustee shall provide its approval/dissent within 15 (fifteen) Business Days after receiving a request to provide its approval. PROVIDED THAT such request must be accompanied by all relevant information substantiating the request to enable the Debenture Holders to make a reasoned decision.</p> <p>Each of the requirements prescribed and actions mentioned in this Clause are subject to Applicable Law and the prior approval of the RBI (if so required).</p>
Negative Covenants	<p>The Issuer shall maintain below mentioned covenants during the entire tenor of the Debentures and till all the amounts outstanding are been duly repaid, in case of any change, the Issuer to seek a prior-written consent of the Debenture Trustee (acting on the instructions of the Majority Debenture Holders) Provided that in the event the Bank has provided a prior written request to all the Debenture Holder(s) in relation to any of the actions that the Bank or any other Person proposes to undertake and the Majority Debenture Holder(s) have not responded within a period of 7 (Seven) calendar days from the date of such written request being provided by the Bank, the consent of the Majority Debenture Holder(s) shall then be deemed to be provided to the issuer for undertaking such action and the Bank shall then be permitted to undertake such action without obtaining any further consent from</p>

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	<p>the Debenture Holder(s):</p> <ul style="list-style-type: none"> a) Change the general nature of its business from that which is permitted as a Bank by the RBI. b) Change in its Constitutional Documents in any material way or reduce its authorized capital which would materially and adversely affecting the interests of the Debenture Holders. c) Undertake or permit any compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction or any contractual obligation materially and adversely affecting the interest of the Debenture Holders.
Financial Covenants	<p>Until the Final Settlement Date, the Issuer shall maintain a Capital Adequacy Ratio that is not lower than the threshold prescribed by the RBI.</p> <p>All covenants would be tested on quarterly basis i.e. as on 31 March, 30 June, 30 Sept and 31 Dec every year, starting from September 30, 2023 on standalone balance sheet till the redemption of the Debentures. The covenants shall be certified by the Statutory Auditor of the Issuer or Independent Chartered Accountant (as required under the SEBI regulations) within the timelines as stipulated applicable SEBI Regulations as amended from time to time.</p>
Early Redemption	<ul style="list-style-type: none"> a) The Issuer shall, at all times until the Final Settlement Date, maintain a rating of at least "A" ("Minimum Rating"). b) If the rating of the Issuer is downgraded below the Minimum Rating by any rating agency at any time prior to the Final Settlement Date ("Early Redemption Events"), the Issuer shall promptly, and in any case within 5 (five) Business Days of occurrence ("Notification Period"), inform the Debenture Trustee of the downgrade in the rating of the issuer below the Minimum Rating. c) The Debenture Trustee shall promptly upon receipt of the notification under Clause (b) or on the expiry of the Notification Period whichever is earlier, inform the Debenture Holders of such downgrade, and request the Debenture Holders to convene a meeting of the Debenture Holders wherein the Debenture Holders shall be requested to provide their consent/dissent for seeking premature redemption of the Debentures. d) if the consent of Majority Debenture Holders is provided in accordance with sub-Clause (c) above, the Debenture Trustee shall within 5 (five) Business Days of receipt of the approval of the Debenture Holders, request the RBI to provide its approval to prematurely redeem the Debentures. PROVIDED THAT the Debentures shall not be redeemed

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	<p>until the RBI provides its consent.</p> <p>e) Following the receipt of the consent of the Majority Debenture Holders, and the approval from the RBI in accordance with sub-Clause (d) above, the Debenture Trustee (acting on the instructions of the Majority Debenture Holders) shall provide a notice of at least 21 (twenty one) Calendar days commencing from the date of receipt of such approval, requiring the Issuer to prepay the Debentures and all other Outstanding Amounts thereof;</p> <p>f) the Issuer shall make payment of all the Outstanding Amounts within the exercise period that is no less than 3 (three) Business Days commencing on the expiry of a period of 21 (twenty one) Calendar Days following the providing of a notice pursuant to sub-Clause (e) above.</p> <p>g) the Issuer shall comply with such other conditions as may be prescribed by the Debenture Trustee/ Debenture Holders.</p> <p>h) No prepayment penalty or prepayment premium will be applicable to any redemption in accordance with this Clause.</p> <p>g) The actions mentioned in this Clause are subject to Applicable Law and the prior approval of the RBI.</p>
Event of Defaults (including manner of voting /conditions of joining Inter Creditor Agreement)	<p>An Event of Default ("Event of Default") shall have occurred upon the happening of any event or circumstances mentioned hereunder:</p> <ol style="list-style-type: none"> Payment Defaults The Issuer does not pay on any Due Date any amount payable pursuant to this Deed and the Debentures at the place and in the currency in which it is expressed to be payable, unless its failure to pay is caused by technical error and payment is made within 1 (one) business day of such Due Date. The Issuer fails to maintain a Capital Adequacy Ratio prescribed by the RBI. Insolvency/Inability to Pay Debts <ol style="list-style-type: none"> The Issuer is unable to, or admits, in writing, its inability to, pay its debts as they fall due or by reason of actual financial difficulties commences negotiations with one or more creditors with a view to rescheduling its indebtedness. Any proceedings in relation to bankruptcy or insolvency of the Issuer are initiated (voluntarily or involuntarily). Any order is made by any Governmental Authority, or any resolution is passed by the shareholders of

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	<p>the Issuer, for the winding-up of the Issuer.</p> <p>4. Business</p> <ul style="list-style-type: none"> i. The Issuer without obtaining the prior consent of the Majority Debenture Holders ceases to carry on its business or gives notice of its intention to do so. ii. The operating license of the Issuer is revoked by the RBI. <p>5. Liquidation, Insolvency or Dissolution of the Issuer / Appointment of Receiver, Resolution Professional or Liquidator</p> <p>Any corporate action, declaration of, legal proceedings or other procedure or step is taken in relation to:</p> <ul style="list-style-type: none"> (i) the suspension of payments, a moratorium of any financial indebtedness, winding-up, insolvency, liquidation, dissolution, administration or re-organisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer; (ii) a composition, compromise, assignment or arrangement with any creditor of the Issuer; or (iii) the appointment of a liquidator, provisional liquidator, supervisor, receiver, resolution professional, administrative receiver, administrator, compulsory manager, trustee, or other similar officer in respect of the Issuer or any of the Issuer's assets or any part of the undertaking of the Issuer. (iv) If a petition is filed for the winding up of the Issuer under the Companies Act, 2013 and the same is not stayed or dismissed within a period of 30 days of its filing; (v) Any order is made by any Governmental Authority, or any resolution is passed by the shareholders of the Issuer, for the winding-up of the Issuer. <p>6. Transaction Documents</p> <p>Debenture Trust Deed or any other Transaction Document (in whole or in part) is terminated or ceases to be effective or ceases to be in full force or no longer constitutes valid, binding and enforceable obligations of the Issuer unless as required by law.</p> <p>7. Unlawfulness</p> <p>It is or becomes unlawful for the Issuer to perform any of its material obligations under the Transaction Documents and/or any obligations of the Issuer under any Transaction Document are not or cease to be valid, binding or enforceable.</p> <p>8. Repudiation</p> <ul style="list-style-type: none"> i. The Issuer repudiates any of the Transaction Documents, or evidences an intention to repudiate any of the Transaction Documents.
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Consequences Of Events Of Default	<p>On and at any time after the occurrence of an Event of Default, unless such Event of Default at the request of the Issuer, 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 to the Issuer, 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 is provided or it is not practical to provide a cure period, 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 cure period, the Debenture Trustee shall if so directed by any of the Debenture Holder(s): declare that all or part of the obligations be immediately due and payable, whereupon they shall become immediately due and payable subject to compliance with prevailing applicable RBI Guidelines and receipt of prior approval of the RBI:</p> <ul style="list-style-type: none"> • accelerate the redemption of the Debentures. • Declare that all or part of the obligations be immediately due and payable, whereupon they shall become immediately due and payable. • Exercise all the rights and remedies available to it in such manner as Debenture Holder may deem fit without intervention of the Court and without having to obtain any consent of the Issuer.
Creation of recovery expense fund	<p>The Issuer shall create a recovery expense fund in accordance with the applicable SEBI regulations, including but not limited to the SEBI circular dated October 22, 2020 (bearing reference number: SEBI/HO/MRSD/CRADT/CIR/P/2020/207) and inform the Debenture Trustee of the same. The recovery expense fund shall be utilised in such manner and for such purposes as is more particularly provided under the said Regulations and Applicable Law.</p>
Conditions for breach of covenant (as specified in the Debenture Trust Deed)	<p>The Conditions for breach of covenants if any shall be specified in the Debenture Trust Deed.</p>
Right to Re-purchase and Re-issue the Debenture by the Issuer	<p>The Issuer, subject to the prevailing guidelines, rules/regulations of the Reserve Bank of India, the Securities and Exchange Board of India and other Authorities, shall have the option from time to time to repurchase a part or all of the Debentures from the secondary markets or otherwise, on prior mutual consent(s) from the Debenture holder(s), at any time prior to the date of maturity subject to prior written consent of the Reserve Bank of India.</p> <p>In the event of a part or all of its Debentures being repurchased as aforesaid or redeemed under any circumstances whatsoever, the Issuer shall have, and shall be deemed to have had, the power to reissue the Debentures either by reissuing the same Debentures or by issuing other Debentures in their place.</p> <p>Further the Issuer, in respect of such repurchased/redeemed Debentures shall have the power exercisable either for a part or all of those Debentures, to cancel, keep alive, appoint nominee(s) to hold or reissue at such price and on such terms and conditions as it may deem fit and as permitted by the Applicable Law.</p>

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Role and Responsibilities of Debenture Trustee	To oversee and monitor the overall transaction for and on behalf of the Debenture Holder(s).
Risk Factors pertaining to the Issue	As mentioned in the Placement Memorandum under captioned "Risk Factor"
Business Day	Any day of the week (excluding, Saturdays, Sundays and any day which is a public holiday) on which banks are normally open for business in Mumbai, India
Business Day Convention	<p>If any Coupon Payment Date(s) or any other Due Date(s) for the performance of any event falls on a day that is not a Business Day, then the succeeding Business Day will be considered as the effective date. The interest for such additional period shall be adjusted and paid in the next coupon cycle. Hence the subsequent coupon payment period remains intact.</p> <p>If the Redemption Date (also being the last Coupon Payment Date) of the Debentures falls on a day that is not a Business Day, the redemption proceeds shall be paid on the immediately preceding Business Day, along with coupon/interest accrued on the Debentures until but excluding the date of such payment.</p>
Reissuance	<p>Issuer reserves the right to make multiple issuances under the same ISIN with reference to SEBI circular SEBI/HO/DDHS/P/CIR/2021/613 dated 10th August 2021 or such other amended circular issued by the SEBI from time to time.</p> <p>Issue can be made either by way of creation of fresh ISIN or by way of issuance under the existing ISIN at premium / par / discount as the case may be in line with said SEBI circular.</p>
Governing Law and Jurisdiction	The Debentures and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the exclusive jurisdiction of the courts in Mumbai, India and as more particularly provided for in the Debenture Trust Deed.

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**(c) Monitoring and Due Diligence**

The Issuer will provide all such assistance to the Debenture Trustee as may be required by

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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.

(d) ***Recovery Expense Fund***

- (iii) 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.
- (iv) 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".

(e) ***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 Trust 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 Trust Agreement 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 Trust 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 Trust 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

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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 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

Confidential

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.

The subscription to the Debentures shall be made by the Eligible Investors through the electronic book mechanism as prescribed by SEBI under the EBP Guidelines by placing bids on the EBP Platform during the Issue period. In case the Eligible Investors are not registered on the EBP Platform, they will have to register themselves as investor on the said platform (as a one-time exercise) and also complete the mandatory KYC verification process. The Eligible Investors should also refer to the operational guidelines of the EBP in this respect. The disclosures required pursuant to the EBP Guidelines are set out hereinbelow:

Details of size of the Issue including green shoe option, if any	Issue of 15,000 (Fifteen thousand) 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 150,00,00,000/- (Indian Rupees One Hundred Fifty Crores) including a green shoe option of 7,500 (Seven Thousand Five Hundred) ("Debentures" or "NCDs" or Bonds) on a private placement basis (the "Issue")
Bid opening and closing date	Bid opening date: July 04, 2023; and

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	Bid closing date: July 04, 2023
Minimum Bid lot	Rs. 1,00,00,000/- (Rupees One Crore only) and in the multiples of 1 (One) Debenture thereafter
Manner of bidding in the Issue	Open Bidding
Manner of allotment in the Issue	Uniform
Manner of settlement in the Issue	Pay-in of funds through Indian Clearing Corporation Limited ("ICCL").
Settlement cycle	T+1 where T refers to the date of bid opening date / issue opening date

Process flow of settlement:

Eligible Investors whose bids have been accepted by the Issuer and to whom a signed copy of this Placement Memorandum along with the Private Placement Offer Letter have been issued by the Issuer and who have submitted/shall submit the application form ("**Successful Bidders**"), shall make pay-in of Subscription Monies in respect of the Debentures towards the allocation made to them, into the bank account of the ICCL, the details of which are as set out below, on the Deemed Date of Allotment:

List of Designated Banks is as under:

	ICICI BANK	YES BANK	HDFC BANK
Beneficiary Name	Indian Clearing Corporation Ltd	Indian Clearing Corporation Ltd	Indian Clearing Corporation Ltd
Account Number	ICCLEB	ICCLEB	ICCLEB
IFSC Code	ICIC0000106	YESB0CMSNOC	HDFC0000060
Mode	RTGS	RTGS	RTGS

The pay-in by the Successful Bidders will be made only from the bank account(s), which have been provided / updated by them in the EBP system. Any amount received from third party accounts or from accounts not specified in the EBP system will be refunded and no allotment will be made against such payments. Upon the transfer of funds into the aforesaid account of ICCL and the Issuer confirming its decision to proceed with the allotment of the Debentures in favour of the Successful Bidders to the ICCL, the R&T Agent and the EBP and initiating the requisite corporate action for allotment of Debentures and credit of the demat letter of allotment into the relevant demat account of the Successful Bidders through the R&T Agent, the R&T Agent shall provide corporate action file along with all requisite documents to the Depositories by 12:00 hours and also intimate the EBP of the aforesaid actions. The allotment of Bonds will be made proportionately to each Successful Bidder. Upon the Depositories confirming the allotment of the Debentures and the credit of the Debentures into the demat account of the Successful Bidders to EBP, the Subscription Monies in respect of the Debentures from the aforesaid account of ICCL shall be released into the Issuer's bank account, the details of which are as set out below in Payment Instructions clause.

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

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

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 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

It must be noted that all funds pay-in obligations need to be fulfilled in totality. Partial fund receipt against any given obligation will be treated as a default and debarment penalties will be applicable as specified by the EBP Guidelines

9.14 Eligible Investors

The following class of Investors (except Government undertakings) are eligible to participate in the offer 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") (being "Eligible Investors"):

- c) Qualified Institutional Buyers (QIBs) as defined under Regulation 2 (ss) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 dated September 11, 2018, "Qualified Institutional Buyers" means
- A mutual fund, venture capital fund, Alternative Investment Fund and Foreign Venture Capital Investor registered with SEBI.
 - Foreign portfolio investor other than individuals, corporate bodies and family offices;
 - a Public Financial Institution;
 - a Scheduled Commercial Bank;
 - a multilateral and bi-lateral development financial institution;
 - a State Industrial Development Corporation;
 - An insurance Bank registered with Insurance Regulatory and Development Authority of India;
 - A Provident Fund with minimum corpus of Rs.25 Crore Rupees
 - A Pension Fund with minimum corpus of Rs.25 Crores
 - National Investment Fund set up by resolution No: F.No.2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
 - An insurance fund set up and managed by Army, Navy / Air force of the Union of India;
 - Insurance funds set up and managed by the Department of Posts, India; and
 - Systemically, important Non- Banking Financial Companies
 - Any other investor eligible to invest in these Debentures
- d) Any Non-QIB person/ entity who is eligible to invest in bonds/ debentures as per the concerned guidelines and regulations and permitted under Applicable Laws and who/ which has been authorized by the Issuer, to participate in a particular issue on the EBP platform.

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

The advisor(s)/ arranger(s)/ placement agent(s), broker(s) associated with the Issue and/or their affiliates/ subsidiaries/ associates/ group companies and/or their promoters/ directors/ key managerial personnel/ officers/ employees may subscribe to the Issue as the applicable laws including but not limited to (i) SEBI (Merchant Bankers) Regulations, 1992 and Code of Conduct specified therein; (ii) Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 and Code of Conduct specified therein, as applicable, do not restrict them

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.
- (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

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

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 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

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

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) Interest on Debentures issued pursuant to this Issue is subject to deduction of income tax under the provisions of the Income Tax Act, 1961 ("**IT Act**") or any other statutory modification or re-enactment thereof, as applicable. Debentures Holders desirous of claiming non-deduction or lower deduction of tax at source under applicable laws, as the case may be, shall be required to submit the declaration/ certificates as per format prescribed under applicable laws with the Issuer and the RTA at the below mentioned address on or prior to the relevant Record Date for payment of interest on the Debentures:

Particulars	Contact Details of the Issuer	Contact Details of the RTA
Name	[x]	KFIN Technologies Limited (Formerly known as KFIN Technologies Private Limited)
Correspondence Address	[x]	Selenium Tower B, Plot No 31-32, Gachibowli, Financial District Nanakramguda, Serilingampally, Hyderabad 500032
Contact Person	[x]	[x]
Designation	[x]	[x]
E-mail ID	[x]	inward.ris@kfintech.com
Tel. No.	[x]	+9167162222
Fax No.	[x]	NA
Link for online submission	N.A.	[x]

- (b) In case of non-receipt of such prescribed declaration/ certificate from the Debenture Holders claiming non-deduction or lower deduction of tax at source under applicable laws, on or prior to the relevant Record Date, the Issuer shall make TDS deductions in accordance with the prescribed rates prior to credit of interest on Debentures.

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- (c) Income Tax is deductible at source at the rate of 10% on interest on Debentures held by resident Indians in accordance with Section 193 of the IT Act. In cases where interest is to be paid to an Individual or Hindu undivided family ("**HUF**") (being the Debenture Holder) is less than Rs. 5,000 and interest is to be paid by way of account payee cheque then the relevant Debenture Holder may seek non deduction of tax at source on the interest on Debentures by submitting the prescribed declaration/certificates with the Issuer and the RTA at the aforesaid address on or prior to the relevant Record Date.
- (d) In case of Debenture Holder who is a resident Individual or resident HUF claiming non-deduction or lower deduction of tax at source under section 193 of the IT Act, as the case may be, the Debenture Holder should furnish either (a) a declaration (in duplicate) in the prescribed form i.e. (i) Form 15H which can be given by Individuals who are of the age of 60 years or more (ii) Form 15G which can be given by all Debenture Holders (other than companies and firms), or (b) a certificate, from the Assessing Officer which can be obtained by all Debenture Holders (including companies and firms) by making an application in the prescribed form i.e. Form No. 13.
- (i) Debenture Holders may seek/ may be granted, as the case may be, non-deduction or lower deduction of tax at source in following instances under the IT Act:
 - (ii) When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture Holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the IT Act; and that a valid certificate is filed by the Debentures Holder with the Company before the Record Date for payment of interest;
 - (iii) When the resident Debenture Holder with Permanent Account Number ("**PAN**") (not being a company or a firm) submits a declaration as per the provisions of section 197A(1A) of the IT Act in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be NIL. However, under section 197A(1B) of the IT Act, Form 15G cannot be submitted nor considered for exemption from tax deduction at source if the dividend income referred to in section 194, interest on securities, interest, withdrawal from NSS and income from units of mutual fund or of Unit Trust of India as the case may be or the aggregate of the amounts of such incomes credited or paid or likely to be credited or paid during the financial year in which such income is to be included exceeds the maximum amount which is not chargeable to income tax;
 - (iv) Senior citizens, who are 60 or more years of age at any time during the financial year, enjoy the special privilege to submit a self-declaration in the prescribed Form 15H for non-deduction of tax at source in accordance with the provisions of section 197A(1C) of the IT Act even if the aggregate income credited or paid or likely to be credited or paid exceeds the maximum amount not chargeable to tax, provided that the tax due on the estimated total income of the year concerned will be NIL;
 - (v) All mutual funds registered under Securities and Exchange Board of India are exempt from tax on all their income, including income from investment in Debentures under the provisions of Section 10 (23D) of the IT Act in accordance

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with the provisions contained therein. Further, as per the provisions of section 196 of the IT Act, no deduction of tax shall be made by any person from any sums payable to mutual funds specified under Section 10(23D) of the IT Act, where such sum is payable to it by way of interest or dividend in respect of any securities or shares owned by it or in which it has full beneficial interest, or any other income accruing or arising to it;

- (vi) For any Debentures held by Foreign Institutional Investors/ Foreign Portfolio Investors/ Qualified Foreign Investors, interest on Debentures may be eligible for concessional tax rate of 5% (plus applicable surcharge and health and education cess) for interest referred under Section 194LD applicable in respect of rupee denominated bonds of an Indian Company between June 1, 2013 and July 1, 2023 provided such rate does not exceed the rate as may be notified by the Government. Further, in case where section 194LD is not applicable, the interest income earned by FIIs/FPIs should be chargeable to tax at the rate of 20% under section 115AD of the IT Act. Tax shall be deducted u/s. 196D of the IT Act on such income at 20%. Where DTAA is applicable to the payee, the rate of tax deduction shall be lower of rate as per DTAA or 20%, subject to the conditions prescribed therein;
 - (vii) Interest payable to Life Insurance Corporation, General Insurance Corporation and any other insurers are exempted from deductions of tax at source under Section 193 of the IT Act;
 - (viii) Interest payable to entities falling under the list of entities exempted from TDS by the circular no. 18/2017 by Central Board of Direct Taxes (whose income is unconditionally exempt under Section 10 of the IT Act and who are also statutorily not required to file return of income as per Section 139 of the IT Act);
 - (ix) Any other specific exemption available to any other category of investors under the IT Act.
- (e) In case(s) where the Debenture Holder(s) do not submit the declaration/ certificates as per format prescribed under applicable laws with the Issuer and the RTA at the specified address on or prior to the relevant Record Date for payment of interest on the Debentures, the Issuer shall not be liable to refund the applicable amount of tax deducted at source and the Debenture Holders would be required to directly take up with the tax authorities for refund, if any.

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 July 05, 2023 by which date the Investors would be intimated of allotment.

9.28 Record Date

The Record Date will be 5 (Five) calendar days prior to any Due Date.

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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.

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 [] dated February 20, 2023, June 26, 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: [], 2023

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

ANNEXURE I: TERM SHEET

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

Confidential

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



ICRA

ICRA Limited

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

June 05, 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.

Building No. 8, 2nd Floor, Tower A
DLF Cyber City, Phase II
Gurgaon - 122002, Haryana

Tel.: +91 124 4545000
CIN : L74009DL1991PLC042749

Website: www.icra.in
Email: info@icraonline.com
Helpdesk: +91 9354738000
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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ICRA Limited

Ref: ICRA/Fincare Small Finance Bank Limited/20062023/1

June 20, 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. 20-crore Lower Tier II Bond Programme of Fincare Small Finance Bank Limited

Please refer to the Rating Agreement/Statement of Works dated June 14, 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 26, 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.

Building No. 8, 2 nd Floor, Tower A DLF Cyber City, Phase II Gurgaon - 122002, Haryana	Tel: +91.124.4545300 CIN : L74999DL1991PLC042749	Website: www.icra.in Email: info@icraindia.com Helpdesk: +91 9354738909
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Registered Office: B-710, Statesman House, 148, Barakhamba Road, New Delhi 110001. Tel: +91.11.23357940-41

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

**KARTHIK
SRINIVASAN** Digitally signed by
KARTHIK SRINIVASAN
Date: 2023.06.20
12:17:41 +05'30'

Karthik Srinivasan
Senior Vice President
Group Head – Financial Sector Ratings
karthiks@icraindia.com

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No. CARE/BRO/RL/2023-24/1044

Shri Keyur Doshi
Chief Financial Officer
Fincare Small Finance Bank Limited
 5TH FLOOR, 835, BREN MERCURY, KATKONDANAHALLI
 Sarjapur Main Road
 Bengaluru
 Karnataka 560035



June 22, 2023

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Dear Sir,

Credit rating for proposed Tier-II bond issue

Please refer to your request for rating of proposed Tier-II bond issue aggregating to Rs.150 crore of your Company..

2. The following ratings have been assigned by our Rating Committee:

Sr. No.	Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
1.	Tier II Bonds- Proposed	150.00	CARE A; Stable (Single A; Outlook: Stable)	Assigned
	Total Instruments	150.00 (Rs. One Hundred Fifty Crore Only)		

3. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of six months from the date of our initial communication of rating to you (that is June 20, 2023).

4. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

5. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors
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¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

CARE Ratings Limited

Unit No. 205 -208, 2nd Floor, Prestige Meridian I,
 No. 29, M. G. Road, Bengaluru, Karnataka - 560001
 Phone: +91-80-4662 5555

CIN-L67190MH1993PLC071691

Corporate Office :4th Floor, Godrej Coliseum,
 Somalya Hospital Road, Off Eastern Express
 Highway, Sion (E), Mumbai - 400 022
 Phone: +91-22-6754 3456 • www.careedge.in

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6. [Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.]
7. [CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
8. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
11. Our ratings are **not** recommendations to buy, sell or hold any securities.
12. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE Ratings Ltd.

Thanking you,

Yours faithfully,



Tony Mathew
Lead Analyst
tony.mathew@careedge.in



Ravi Shankar R
Associate Director
ravi.s@careedge.in

Encl.: As above



CARE Ratings Limited

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ANNEXURE III: CONSENT LETTER FROM THE DEBENTURE TRUSTEE

CATALYST
Believe in yourself. Trust us!



CL/DEB/23-24/401

Date : 23-Jun-2023

To,
Company Secretary,
Fincare Small Finance Bank Limited,
5th Floor, Bren Mercury, ,
Varthur Hobli, Kalkondanahalli,,
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 ₹ 75.00 Crores with green shoe option of 75.00 Crores Crores aggregating to 150.00 Crores.

We refer to your letter dated 23.06.2023, 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,

John Brown



Name : Tamkeen Shaikh

Designation : Manager

CATALYST TRUSTEESHIP LIMITED www.catalysttrusteeship.com 

Registered Office: Winford, 6th Floor, Office No. 601, 6/5, 1st Road, Kalwa, Santacruz East, Mumbai 400 096. Tel: +91 (022) 4932 9555. Fax: +91 (022) 4932 8595.
Branch Office: C&A House, Plot No. 55, (Sheela Colony) Dighat Road, Pune 411 034. Tel: +91 (020) 25208091. Fax: +91 (020) 25208275.
C/o: N. S. Office No. 115, 1st Floor, Kalash Building, 2, Kasturba Gandhi Marg, New Delhi - 110001. Tel: +91 436 29116102.
e-mail: enquiries@catalysttrusteeship.com Website: www.catalysttrusteeship.com
Bank: www.catalysttrusteeship.com



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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 15,000 (Fifteen thousand) 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 150,00,00,000/- (Indian Rupees One Hundred Fifty Crores) including a green shoe option of 7,500 (Seven Thousand Five Hundred) ("Debentures" or "NCDs" or "Bonds") 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

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

the 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)	<div style="text-align: center; font-size: 2em; opacity: 0.5;">Confidential</div>
---	---

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

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(Indian 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

(To be filled in by Applicant) SERIAL NO.									
---	--	--	--	--	--	--	--	--	--

Received from _____

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

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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.:

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

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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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S.R. BATLIBOI & ASSOCIATES LLP
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
--	--

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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Chartered Accountants

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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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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- (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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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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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	As on 31 March 2022
Capital and Liabilities			
Capital	1	22,079	22,079
Employees stock options outstanding		1,458	638
Reserves and surplus	2	107,856	97,471
Deposits	3	803,319	845,617
Borrowings	4	278,400	294,354
Other liabilities and provisions	5	33,679	29,999
Total		1,345,789	1,090,157
Assets			
Cash and balances with Reserve Bank of India	6	65,435	111,679
Balance with banks and money at call and short notice	7	11,781	11,917
Investments	8	252,294	215,183
Advances	9	870,242	703,998
Fixed assets	10	5,631	4,234
Other assets	11	41,292	43,468
Total		1,346,789	1,090,157
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. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Suresh Warty

per Suresh Warty
Partner
Membership No.: 121411Bengaluru
April 24, 2023For and on behalf of the Board of Directors of
Fincare Small Finance Bank LimitedRajesh Yadav
MD and CEO
DIN: 001113179Bengaluru
April 24, 2023

S. Narasimhan

S. Narasimhan
Director
DIN: 00157693Ahmedabad
April 24, 2023

Shefaly Kothari

Company Secretary
M.No. F7556Bengaluru
April 24, 2023

Pranod Kishor

Pranod Kishor
Director
DIN: 02252403Mumbai
April 24, 2023

Keyur Doshi

Keyur Doshi
Chief Financial OfficerVadodra
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	22,958	19,617
Total		197,370	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	18,987
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	17,501
Total		27,885	18,987
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/R/330004

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. Narasimhan
 S. Narasimhan
 Director
 DIN: 00157693

Ahmedabad
 April 24, 2023

S. K. Kothari
 S. K. Kothari
 Company Secretary
 M No. F7096

Bengaluru
 April 24, 2023

Pramod Kabra
 Pramod 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	536
Amortisation of premium on SLR ¹ investments in HTM ² category	1,561	1,532
(Profit)/loss on disposal of fixed assets	(2)	3
Loan portfolio written off	55,133	36,951
Provision for Advances	(18,268)	8,002
Provision for other contingencies	364	22
Provision for Investments	451	561
(Profit) on sale of investment in SLR ¹ securities	(29)	(540)
Loss on sale of interest-free in SLR ¹ securities	642	284
(Profit) on sale of interest-free in mutual funds	-	(19)
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)	(63,049)
(Increase) in advances	(200,909)	(222,208)
(Increase)/decrease in fixed deposits	2,455	(3,752)
(Increase) in other assets	5,422	(20,138)
Cash Flows from/(used in) operating activities	599	(134,822)
Refund/(payment) of direct taxes (including Tax Deducted at Source)	(6,115)	(3,854)
Net cash flows from/(used in) operating activities	(5,595)	(138,676)
B. Cash flows from / (used in) investing activities:		
Purchase of fixed assets	(3,547)	(2,636)
Proceeds from sale of fixed assets	52	7
Acquisition of investments in mutual funds	-	(5,002)
Purchase of investments in Govt Securities (HTM ²)	(24,324)	(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)	(28,125)
C. Cash flows from / (used in) financing activities:		
Proceeds from issue of equity shares	-	15,971
Proceeds from borrowing under the LAF ³ segment	-	54,030
Proceeds from loans availed from banks and financial institutions	100,500	135,804
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	(5,900)	-
Net cash flows from/(used in) financing activities	(15,855)	171,282
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 year⁴	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 at 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: 101049W/E300004

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 Minavati
Sandeep Minavati
Director
DIN: 00157693

Ahmedabad
April 24, 2023

Kayur Gosli
Kayur Gosli
Chief Financial Officer

Vadodra
April 24, 2023

Shafaly Kothari
Shafaly Kothari
Company Secretary
M No. F7666

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
Authorised 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		
226,779,720 (31 March 2022: 226,779,720) equity shares of ₹ 10 each	22,678	22,678
Total Capital	22,678	22,678

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 - Reserve 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	222
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	2,092	839
Additions during the year	386	1,254
Deductions during the year	-	-
	2,478	2,092
V. Balance in profit and loss account		
	24,906	17,521
Total (I, II, III, IV and V)	107,845	97,471

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	8,799
	12,965	9,425
II. Savings bank deposits	252,647	234,949
III. Term deposits		
i. From banks	246,054	173,120
ii. From others	296,755	236,123
	537,709	411,243
Total (I, II and III)	802,319	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 LimitedSchedules 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
(ii) Other banks	-	10,000
(iii) Other institutions and agencies	-	-
a) Government of India	-	-
b) Financial institutions*	206,800	204,754
(iv) Borrowings in the form of bonds and debentures (excluding subordinated debt)	-	-
(v) Unsecured redeemable debentures/bonds (Refer schedule 18.1 B)	17,500	20,000
Total Borrowings in India	278,400	294,354
II. Borrowings outside India	-	-
Total (I and II)	278,400	294,354
* Secured borrowings included in I above is ₹ 54,256 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	2,884
II. Inter-office adjustments (net)	-	-
III. Interests accrued	5,075	3,857
IV. Others (including provisions)*	23,444	23,298
Total	32,679	29,999
* Others (including provisions)		
	As on 31 March 2023	As on 31 March 2022
General provision for standard assets (Refer schedule 18.4 I)	3,809	5,342
Provision for other contingencies	285	50
Tax deducted at source payable	899	743
Statutory liability payable	474	435
Accrued expenses	2,344	2,817
Accrued employee expenses	3,427	2,539
Provision for gratuity (Refer schedule 18.14 A)	809	421
Provision for compensated absences (Refer schedule 18.14 C)	1,509	1,275
Other liabilities	6,472	5,372
Total	23,444	23,298
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	34,809	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) lien marked for securitisation and UDAI respectively		



(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 8 - Investments	As on 31 March 2022	As on 31 March 2023
I. Investment in India in		
(i) Government securities	251,286	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	253,300	216,327
Less: Aggregate of provision/depreciation	(1,016)	(1,164)
Net Investments	252,284	215,163
B. Investments outside India		
Gross value of investments	-	-
Less: Aggregate of provision/depreciation/appreciation	-	-
Net Investments	-	-
Total Investments*	252,284	215,163

* Refer schedule 18.2 A - Investments

Schedule 9 - Advances	As on 31 March 2022	As on 31 March 2023
A. (i) Bills purchased and discounted		
(i) Cash credits, overdrafts and loans repayable on demand*	66,423	44,205
(ii) Term loans*	780,819	699,491
Total	847,242	743,696
B. (i) Secured by tangible assets (including advances against book debts)		
(i) Covered by banks/Government guarantees	383,662	175,159
(ii) Unsecured	1,799	4,126
Total	385,461	179,285
C. (i) Advances in India		
(i) Priority sector	725,395	603,618
(ii) Public sector	-	-
(iii) Banks	-	-
(iv) Others	144,847	66,776
Total	870,242	703,696
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.1 and II)	870,242	703,696

* Net of provision for non-performing assets aggregating to ₹ 17,545 lakhs, ₹ 32,340 lakhs and Inter-Bank Participation Certificate (IBPC) sold and outstanding ₹ 66,000 lakhs, ₹ 20,800 lakhs as on 31 March 2022 and 31 March 2023 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	2,836
Deductions during the year	(58)	(93)
Closing balance	15,241	11,952
Accumulated depreciation		
Opening balance	7,518	5,589
Charge for the year	2,140	2,012
Deductions during the year	(58)	(80)
Closing balance	9,600	7,521
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	15,891	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	29,478
Total	41,083	43,468
* 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)	7,894	9,302
Security deposits	1,752	1,468
RTGS Settlement - Minor A/c	2,015	15,462
Goods & Services Tax input credit	754	534
Other receivables	3,259	2,732
	19,138	29,478



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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 12 - Contingent Liabilities	As on 31 March 2023	As on 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. 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	6,101	-
* Claims against the bank not acknowledged as debts - others	As on 31 March 2023	As on 31 March 2022
Cash collateral	2,542	-
Principal subordination	3,559	-
	6,101	-



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Fincare Small Finance Bank LimitedSchedules 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
II. Income on investments	14,044	9,999
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,095	2,747
IV. Others*	438	88
Total	174,412	145,881
* 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	66
Others	1	0
	418	66
Schedule 14 - Other Income	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Commission, exchange and brokerage	13,698	8,675
II. Profit on sale of investments	29	540
Loss on sale of investments	(642)	(264)
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	(50)	(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	19,617
I. Miscellaneous income	Year Ended 31 March 2023	Year Ended 31 March 2022
Income from sale of Priority Sector Lending Certificate	3,565	5,649
Debit card fees/maintenance charges	4,532	3,367
Others	2,145	1,214
	10,242	10,230
Schedule 15 - Interest expended	Year Ended 31 March 2023	Year Ended 31 March 2022
I. Interest on deposits	45,911	42,116
II. Interest on Reserve Bank of India/inter-bank borrowings	3,732	2,994
III. Others	14,724	11,878
Total	64,367	56,988
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
II. 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
VII. Auditors' fees and expenses	-	-
- Statutory Audit Fee	48	49
- Others	19	28
VIII. Law charges	285	111
IX. Postage, telegrams, telephones, etc.	1,579	1,234
X. Repairs and maintenance	543	545
XI. Insurance	734	577
XII. Professional fees	3,171	2,079
XIII. Other expenditure ²	12,856	9,002
Total	87,485	64,086



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Fincare Small Finance Bank LimitedSchedules 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 31 March 2023	Year Ended 31 March 2022
Travelling and conveyance	2,073	1,095
Communication expenses	492	578
Contribution towards CSR expenses (refer schedule 18.29)	239	399
Bank charges	12	991
Loss on securitisation	10	-
ATM/recycler charges	1,496	1,411
Credit Bureau charges	421	249
Business correspondence commission	4,535	3,065
Miscellaneous expense	3,672	2,966
	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, Dishu 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 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.



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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 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.



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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 if any, 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 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 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 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.

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 renders 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 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.



(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****2.15 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.



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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, composition of capital adequacy as per the RBI guidelines (under Basel II):

Particulars	As on 31 March 2023	As on 31 March 2022
I Common Equity Tier 1 capital (CET 1): Paid up share capital and reserve/retained profits, 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)	833,177	846,894
VII CET 1 Ratio	19.04%	19.48%
VIII Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	18.64%	19.42%
IX Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.40%	2.84%
X Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	20.04%	22.32%
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 Perpetual Non-Cumulative Preference Shares (PCPS)	-	-
XVI Perpetual Debt Instruments (PDI)	-	-
XVII Amount of Tier 2 capital raised of which:	-	-
XVIII Debt capital instruments (discounted value)	8,855	8,890
XIX Preference Share Capital Instruments (Prepaid Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (NCPPS)/ Redeemable Cumulative Preference Shares (RCPPS))	-	-

* Subordinated debt (considered in Tier 2 capital) outstanding as on 31 March 2023 is ₹ 17,508 lakhs (31 March 2022: ₹ 25,835 lakhs).

B. Details of Subordinate debt

ISIN Number	Issued Date of Maturity	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	12.80%	66	98	2,561
INE190200014	23 March 2018	11.50%	75	3,782	3,708
INE190200017	22 March 2018	11.50%	75	3,690	3,658
INE190200018	30 September 2019	12.87%	72	10,089	10,069

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 2023, 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 2023 Equity Shares Amount (₹)	As on 31 March 2022 Equity Shares Amount (₹)
Equity shares at the beginning of the year	226,778,728	22,376
Addition pursuant to equity shares issued during the year	-	9,882,768
Addition pursuant to bonus equity shares issued during the period	-	147,185,488
Equity shares outstanding at the end of the year	226,778,728	22,376



Fincare Small Finance Bank Limited
Schedule to Notes to the Financial Statements
As at March 31, 2023
As a Component of Investment Portfolio as on 31 March 2023

Particulars	Total Investments in India				Total Investments outside India			Total Investments
	Government Securities	Other Approved Securities	Shares	Debt and Others	Total Investments outside India	Securities	Other	
Held to Maturity								
Debt	120,719	-	-	-	120,719	-	-	120,719
Less: Provision for non-performing investments (NPI)	(406,719)	-	-	-	(406,719)	-	-	(406,719)
Net	-	-	-	-	-	-	-	-
Available for Sale	12,407	-	-	1,020	13,427	-	-	13,427
Less: Provision for depreciation and NPI	(207)	-	-	-	(207)	-	-	(207)
Net	12,200	-	-	1,020	13,220	-	-	13,220
Held for Trading	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Total Investments	232,881	-	-	1,020	233,901	-	-	233,901
Less: Provision for non-performing investments	(777)	-	-	-	(777)	-	-	(777)
Less: Provision for depreciation and NPI	(22,471)	-	-	-	(22,471)	-	-	(22,471)
Net	209,633	-	-	1,020	210,653	-	-	210,653

AS Component of Investment Portfolio as on 31 March 2023

A2. Composition of Investment Portfolio as at 31 March 2022									
Particulars	Government Securities	Other Approved Securities	Shares	Investments in India		Investments outside India	Total Investments		Total Investments
				Debt Instruments and Others	Equity Instruments		Debt Instruments	Equity Instruments	
Held to Maturity									
Debt	11,020	-	-	-	-	11,020	-	-	11,020
Less: Provision for non-performing investments (NPI)	(11,020)	-	-	-	-	(11,020)	-	-	(11,020)
Net	-	-	-	-	-	-	-	-	-
Available for Sale									
Debt	20,087	-	-	1,238	-	21,325	-	-	21,325
Less: Provision for depreciation and NPI	(1,238)	-	-	(1,238)	-	(2,476)	-	-	(2,476)
Net	18,849	-	-	-	-	18,849	-	-	18,849
Held for Trading									
Debt	18,120	-	-	3,978	-	22,098	-	-	22,098
Less: Provision for depreciation and NPI	(3,978)	-	-	(3,978)	-	(7,956)	-	-	(7,956)
Net	14,142	-	-	-	-	14,142	-	-	14,142
Total Investments									
Debt	24,887	-	-	2,476	-	27,363	-	-	27,363
Less: Provision for non-performing investments	(11,020)	-	-	(1,238)	-	(12,258)	-	-	(12,258)
Less: Provision for depreciation and NPI	(2,476)	-	-	(2,476)	-	(4,952)	-	-	(4,952)
Net	11,391	-	-	-	-	11,391	-	-	11,391

3. Movement of Provisions for Depreciation and Investment Portfolio as on 31 March 2023

Particulars	31 March 2022	31 March 2023
1. Movement of provisions held towards Reserves on Investments		
a) Opening balance	564	2
b) Add: Provisions made during the year	1,310	884
c) Less: Provisions made during the year	(1,050)	(884)
d) Closing balance	824	884
2. Movement of Investment Portfolio as on 31 March 2023		
a) Opening balance	2,382	538
b) Add: Investment made during the year	288	1,254
c) Less: Disposition	(1,451)	(2,000)
d) Closing balance	2,219	792
3. Movement of Provisions for Depreciation and Investment Portfolio as on 31 March 2023		
a) Opening balance	276	125
b) Add: Provisions made during the year	1,310	884
c) Less: Provisions made during the year	(1,050)	(884)
d) Closing balance	536	125



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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)

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	152,577	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	-	-	-	-

* 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/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

a) Break-up composition of Non-SLR investments

As on 31 March 2022

Investor	Amount	Extent of Private Placement	Extent of 'Stated Investment Grade' Securities	Extent of 'Specified' Securities	Extent of 'Unlisted' Securities
I. PSU	-	-	-	-	-
II. FIs	1,328	-	-	-	-
III. Banks	-	-	-	-	-
IV. Private Corporate	-	-	-	-	-
V. Subordinated Debt/Preference	-	-	-	-	-
VI. Others	-	-	-	-	-
VII. Provision held towards impairment	(116)	-	-	-	-
Total	1,328	-	-	-	-

As on 31 March 2023

Investor	Amount	Extent of Private Placement	Extent of 'Stated Investment Grade' Securities	Extent of 'Specified' Securities	Extent of 'Unlisted' Securities
I. PSU	-	-	-	-	-
II. FIs	1,328	-	-	-	-
III. Banks	-	-	-	-	-
IV. Private Corporate	-	-	-	-	-
V. Subordinated Debt/Preference	-	-	-	-	-
VI. Others	-	-	-	-	-
VII. Provision held towards impairment	(116)	-	-	-	-
Total	1,328	-	-	-	-

b) Non-performing Non-SLR investments

During the year ended 31 March 2022 and 31 March 2023, there are no non-performing Non-SLR investments.

E. Sale and Transfer to/from HTM Category

During the years ended March 31, 2023 and March 31, 2022, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investments 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), direct sales from HTM category for bringing down SLR holding subsequent 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/sale operations, and additional selling of securities explicitly permitted by RBI.

18.3 - Derivatives

During the year ended 31 March 2023 and 31 March 2022, 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.





See also: 48 - Notes to the financial statements

4. Classification of advances and provisions held

[illegible]



TABLE 6 - Asset quality (cont'd)

Participatory ergonomics

[illegible]

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



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)

D. 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) ^{2,3,4}
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	5,760	1,335	138	1,483	2,794
Total	5,760	1,335	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 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) ^{2,3,4}
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



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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	10,873	265	2,901	12,118
Total	25,977	10,873	265	2,901	12,118

* 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	50,799	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

Excluded 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	3,363	5,342
	3,363	5,342

J. Sector-wise 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	418,896	15,193	3.70%	414,352	34,815	8.21%
Good & Marginal Farmer	242,431	10,433	4.30%	307,525	28,870	9.42%
Agriculture Officers	158,457	4,760	2.95%	106,827	5,940	5.57%
(ii) Advances to industrial sector	11,894	268	2.27%	2,611	27	1.04%
(iii) Services	57,549	640	1.11%	15,487	114	0.74%
(iv) Personal loans and others	262,626	7,450	2.84%	254,952	17,843	6.99%
Sub-Total (A)	741,466	23,511	3.18%	687,402	52,799	7.68%
B. Non-Priority Sector						
(i) Agriculture and allied activities	6,891	133	1.93%	3,311	360	10.88%
(ii) Industry	7,175	490	6.83%	6,880	223	3.24%
(iii) Services	24,670	788	3.19%	15,438	190	1.23%
(iv) Personal loans	108,170	3,014	2.79%	90,616	4,651	5.13%
Sub-Total (B)	146,906	4,425	3.02%	116,245	5,324	4.58%
Total (A+B)	888,372	27,936	3.14%	803,647	58,123	7.23%

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

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

K. Higher provision for Covid-19

The COVID-19 pandemic affected the asset quality 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 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 ₹ 2,574 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 ₹ Nil and ₹ 870 lakhs as on 31 March 2023 and 31 March 2022 respectively.

L. Overseas Assets, NPAs and Revenue

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

Particulars	As on 31 March 2023	As on 31 March 2022
Number of branches reported during the year to the RBI	134	43
Amount involved in such branches	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%	15.07%
(ii) Net interest income as a percentage to working funds ¹	2.06%	2.17%
(iii) Cost of Deposits ²	5.98%	7.41%
(iv) Net Interest Margin ³	10.88%	10.21%
(v) Operating profit ⁴ as a percentage to working funds ¹	4.67%	4.01%
(vi) Return on assets (average) ⁵	0.86%	0.16%
(vii) Business ⁶ per employee ⁴	37.44	103.74
(viii) Profit per employee ⁴	0.82	0.09

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 37 of the Banking Regulation Act, 1949.

4. Productivity 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 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 37 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)



Pincare Small Finance Bank Limited

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

1B.1 - 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 2023.

	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	18,085	15,631	7,531	8,657	38,721	339,273	452,878	13,683	-	803,318
Advances ^{1,2}	850	10,203	12,525	17,881	43,347	46,506	142,301	168,302	228,111	67,243	134,125	870,342
Investments	69,279	3,118	2,786	9,698	3,651	2,196	7,185	35,660	116,544	2,464	12	252,284
Borrowings	-	-	837	3,500	5,917	8,090	25,788	44,677	165,848	9,510	475	278,400
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 2020.

	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	16,027	6,699	20,157	4,037	12,690	12,346	163,119	198,846	337,371	16,789	1,344	648,617
Advances ^{1,2}	2,214	5,972	10,215	16,890	21,505	21,698	170,395	173,697	235,695	42,802	82,269	679,168
Investments	49,711	2,242	1,242	4,370	2,385	2,385	15,323	17,658	4,293	4,292	253,183	293,886
Borrowings ³	-	32,864	11,093	3,000	660	3,985	18,347	42,844	149,147	33,210	799	284,364
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 complied the table for the purpose of the disclosure for 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:

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



Fincare Small Finance Bank Limited

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

16.7 - 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 segmentation 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 corporates and statutory bodies, which are not included under retail banking.
- c) Retail banking
(i) Digital Banking includes our '901' product and digital branches.
1. '901' Product is a digital product where onboarding of customer is 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 is performed by Machine without any human intervention.

As at circular dated April 1, 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 divided our product type of deposits category as a Digital Banking Product.

(ii) The small banking segment serves retail customers through the branch network. Exposure are classified under retail banking taking into account the nature of the borrower (retention criterion), the nature of product, granularity of the exposure and the quantum thereof. Transactions of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits (except deposits with banks and financial institutions), expenses of the segment (primarily comprising interest expense on borrowings, deposits, interest on advances and provisions for operating the branch network, personnel costs and other direct overheads).

d) Other banking operations
Other banking operations include all other banking operations not covered under 'Treasury', 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking (non-branch) activities.

e) Unallocated
All items which are recognised at an employee 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.

Particulars	Treasury				Corporate/Wholesale Banking				Retail Banking				Other Banking Operations				Total	
	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	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
Revenue	14,503	10,440	882	480	81	16	182,216	150,228	1,358	1,358	1,358	1,358	1,358	1,358	1,358	1,358	187,700	164,471
Provisional expenses	751	5,115	1,131	(1,131)	(1,651)	(1,120)	17,445	4,435	922	922	922	922	922	922	922	922	14,461	15,213
Operating Profit	13,752	5,325	(249)	1,611	(1,570)	2,486	164,771	145,793	436	436	436	436	436	436	436	436	173,239	149,258
Interest income	13,752	5,325	(249)	1,611	(1,570)	2,486	164,771	145,793	436	436	436	436	436	436	436	436	173,239	149,258
Operating Profit, net	13,752	5,325	(249)	1,611	(1,570)	2,486	164,771	145,793	436	436	436	436	436	436	436	436	173,239	149,258
Net Profit	13,752	5,325	(249)	1,611	(1,570)	2,486	164,771	145,793	436	436	436	436	436	436	436	436	173,239	149,258
Other Information:																		
Deposited assets	354,774	257,231	11,356	3,180	28	-	568,823	710,512	552	426	552	426	552	426	552	426	1,235,157	1,385,187
Yield and Net Income	354,774	257,231	11,356	3,180	28	-	568,823	710,512	552	426	552	426	552	426	552	426	1,235,157	1,385,187
Segment Net Income	354,774	257,231	11,356	3,180	28	-	568,823	710,512	552	426	552	426	552	426	552	426	1,235,157	1,385,187
Unallocated Net Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	354,774	257,231	11,356	3,180	28	-	568,823	710,512	552	426	552	426	552	426	552	426	1,235,157	1,385,187

Note:
1. Considering the above disclosures, suitable arrangements and valuations 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 department.



Fincare Small Finance Bank Limited

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

18.8 - Related party disclosure (contd)

Nature of transaction	31 March 2022	31 March 2023
Interest expense on term deposits		
Fincare Business Services Limited		
Mr. Rajeev Yadav	8	15
Mr. Rajeev Yadav	8	1
Mr. Rajeev Yadav	0	0
Relative of key management personnel	88	84
Interest expense on Sub Debt		
Relative of key management personnel	-	1
Interest expense on Saving account		
Mr. Rajeev Yadav	0	0
Mr. Rajeev Yadav	0	1
Mr. Chiranjeev Kumar	1	0
Relative of key management personnel	16	42
Receipt of Surrenderment of IPO Quot		
Fincare Business Services Limited (Formerly Fincare Business Services Private Limited)	425	-
vi) Closing balance of the transactions with related parties:		
Assets of transaction		
Deposits balances (savings and term deposits)		
Fincare Business Services Limited (Formerly Fincare Business Services Private Limited)	296	381
Mr. Rajeev Yadav	8	7
Mr. Rajeev Yadav	2	2
Mr. Rajeev Yadav	4	10
Relative of key management personnel	518	403
Subsidiary payable		
Relative of key management personnel	11	11
Interest payable on Sub-debt		
Relative of key management personnel	0	0
Current account balance		
Fincare Business Services Limited	10	0
Liabilities of transaction		
Deposits balances (savings and term deposits)		
Fincare Business Services Limited (Formerly Fincare Business Services Private Limited)		
Mr. Rajeev Yadav		
Mr. Rajeev Yadav		
Mr. Rajeev Yadav		
Relative of key management personnel		
Subsidiary payable		
Relative of key management personnel		
Interest payable on Sub-debt		
Relative of key management personnel		
Current account balance		
Fincare Business Services Limited		



Fincare Small Finance Bank Limited

Schedule 14 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

18.8 - Related party disclosures (contd)

vi) Maximum outstanding during the year:

Nature of transaction	31 March 2023	31 March 2022
Deposits (savings and term deposits)		
Fincare Business Services Limited	647	2,899
Mr. Rajeev Yadav	26	8
Mr. Rajeev Doshi	167	424
Ms. Shalby Kothari	35	30
Relative of key management personnel	1,203	3,122
Interest expense payable on deposits (savings and term deposits)		
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	26	20
Subsided payable		
Relative of key management personnel	11	11
Interest on Sub-sided payable		
Relative of key management personnel	1	1
Current account balance		
Fincare Business Services Limited	2,638	1,695
Holding Company		



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

Fincare Small Finance Bank LimitedSchedule 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 2023	As on 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 31 March 2023	As on 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 31 March 2023	As on 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 31 March 2023	As on 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 18 - Notes to the financial statements
(All amounts in ₹ unless otherwise stated)

18.16 - Liquidity coverage ratio

Qualitative 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 Unweighted Value* (percentage)	Total Unweighted Value* (percentage)	Total Unweighted Value* (percentage)
1) Total High Quality Liquid Assets (HQLA)	182,641	185,219	173,490	187,749
Cash outflows				
2) Retail deposits and deposits from small business customers, of which:				
- Stable deposits	16,074	17,210	21,187	26,679
- Less: term deposits	281,133	274,137	288,202	286,200
3) Unsecured wholesale funding, of which:				
- Operational deposits (if contractual)	-	-	-	-
- Deposits and deposits (if contractual)	123,214	113,778	123,296	118,893
- Unsecured debt	-	-	-	-
4) Secured wholesale funding	24,817	14,221	8,266	-
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	13,133	11,864	10,417
- Credit and liquidity facilities	9,581	12,464	12,371	15,285
6) Other contractual funding obligations	-	-	-	-
7) Other contingent funding obligations	-	-	-	-
8) Total Cash Outflows	144,221	144,836	148,834	147,213
Cash inflows				
9) Secured lending (e.g. reverse repo)	20,225	4,851	1,833	2,814
* 10) Inflows from fully performing exposures	70,481	95,118	85,607	95,156
11) Other cash inflows	-	-	-	-
12) Other contractual cash inflows	13,260	12,888	12,451	13,581
13) Total Cash Inflows	111,966	112,857	109,841	111,551
14) Total HQLA	182,641	185,219	173,490	187,749
15) Total Net Cash Outflows	88,220	103,874	96,179	103,745
16) Liquidity Coverage Ratio (%)	212.69%	178.65%	175.71%	187.01%

*The disclosures are arrived taking into account simple average of each of the five lines of LCR components over 90 days of each quarter of year ended 31 March 2022. In computing the above information, certain assumptions and estimates have been made by the management which have been relied upon by the auditor.

The Bank has complied for all the 4A points 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 ₹ unless expressly otherwise stated)

18.16 - 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 30 June 2022		Quarter ended 31 December 2021		Quarter ended 31 March 2022	
	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		216,040		194,706		188,780	
Cash outflows								
2) Rapid deposits and deposits from small business customers, of which:								
- Stable deposits	32,312		34,446		38,612		37,130	
- Less stable deposits	-		-		-		-	
3) Unsecured wholesale funding, of which:	52,887		88,010		89,918		71,868	
- Deposits from financial institutions	-		-		-		-	
- Non-financial deposits (all counterparties)	-		-		-		-	
- Unsecured debt	52,887		88,010		89,918		71,868	
4) Secured wholesale funding	20,217		50,882		13,107		25,700	
5) Additional requirements, of which:								
- Outflows related to derivative exposures and other off-balance requirements	-		-		-		-	
- Outflows related to lines of funding on debt products	3,891		5,030		2,430		4,227	
- Credit and liquidity facilities	6,780		8,574		8,523		8,500	
6) Other contractual funding obligations	-		-		-		-	
7) Other contingent funding obligations	-		-		-		-	
8) Total Cash Outflows	88,341		119,428		105,341		131,328	
Cash inflows								
9) Secured funding (e.g. reverse repos)	102,188		85,786		-		73,857	
10) Inflows from fully performing exposures	32,158		30,381		32,314		34,507	
11) Other cash inflows	176		120		413		1,850	
12) Other contractual cash inflows	5,048		5,848		6,472		13,416	
13) Total Cash Inflows	140,170		122,135		139,540		123,630	
14) Total HQLA	247,471		216,040		194,706		188,780	
15) Total Net Cash Outflows	78,090		96,778		80,273		104,217	
16) Liquidity Coverage Ratio (%)	317.64%		226.60%		223.94%		181.70%	

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

The Bank has complied the ratio for the purpose of its 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 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 basis. The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLA 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 Bank's High Quality Liquid Assets comprises mainly of excess SBI securities, cash, excess CRR balances, Marginal Standing Facility (MSF) to the extent of 3 per cent of CRR, 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 (PALLCFT) up to another 15 per cent of NDTL, while the denominator is cash outflow over next 30 days comprising mainly of the deposit maturities and other cash outflows net of cash inflows in next 30 day period. This denominator (i.e. cash outflows comprising current and savings deposits, term deposits from all counterparties, bank deposits maturing within next 30 days and other contractual liabilities including off-balance sheet liabilities. These cash outflows values of net liabilities. These cash outflows values from bank management and other contractual inflows within next 30 days.



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Fincare Small Finance Bank Limited

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

18.11 - Net Stable Funding Ratio

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

ASFR Item (Rupees 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 (201)	121,855	-	-	-	17,508	122,452	-	-	-	17,590
2 Regulatory capital	561,885	-	-	-	17,808	588,885	-	-	-	17,808
3 Other capital instruments	-	-	-	-	-	-	-	-	-	-
4 Result expense and deposits from small business customers (202)	-	-	-	-	-	-	-	-	-	-
5 Stable deposits	218,114	222,576	3,794	4,540	478,758	243,304	238,140	4,895	4,870	445,126
6 Long-term deposits	28,219	-	-	-	28,903	38,853	-	-	-	37,860
7 Wholesale funding (203)	206,735	222,576	3,794	4,540	393,837	294,071	238,140	4,895	4,870	407,388
8 Operational deposits	8,163	149,308	903,882	181,125	262,262	27,652	120,081	180,588	371,733	358,271
9 Other wholesale funding	8,353	189,328	103,890	105,525	262,262	27,652	120,082	180,589	371,439	348,271
10 Other liabilities (11+12)	35,884	-	-	-	-	39,030	-	-	-	-
11 NSFR derivatives liabilities	-	-	-	-	-	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	-	-	-	-	-	-	-	-	-
13 Total ASFR (1+4+7+10)	97,584	-	-	-	813,898	37,685	-	-	-	580,000
14 Total NSFR high-quality liquid assets (116A)	-	-	-	-	7,821	-	-	-	-	9,031
15 Deposits held at other financial institutions for operational purposes	1,143	-	-	-	371	1,718	-	-	-	488
16 Performing loans and securities (117+118+119+120)	-	288,252	187,328	381,427	521,885	-	288,978	188,352	432,015	588,247
17 Performing loans to financial institutions secured by Level 1 HQLA	-	13,782	-	-	1,389	-	2,458	-	-	750
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	9,952	-	8,924	5,286	9,822	13,175
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSFs, of which:	-	140,824	133,808	252,944	412,348	-	256,702	151,382	284,835	454,881
20 With a risk weight of less than or equal to 35% under the Basel 3 Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
21 Performing residential mortgages, of which:	-	9,058	9,382	138,811	88,688	-	18,886	18,678	127,882	118,282
22 With a risk weight of less than or equal to 35% under the Basel 3 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	42,855	11,414	-	25,354	168,494	47,805	-	-	51,827	89,632
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
26 Assets posted as initial margin for derivatives contracts and contributions to default funds of CDPs	-	-	-	-	-	-	-	-	-	-
27 NSFR derivative assets	-	-	-	-	-	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin contract	-	-	-	-	-	-	-	-	-	-
29 All other assets not included in the above categories	42,855	11,414	-	25,354	168,494	47,805	-	-	51,827	89,632
30 Off-balance sheet items	10,193	-	-	-	595	10,285	-	-	-	814
31 Total NSFR (14+16+17+18+20+21+22+23+24+26+27+28+29+30+32)	-	-	-	-	623,242	-	-	-	-	623,242
32 Net Stable Funding Ratio (%)	-	-	-	-	52.47%	-	-	-	-	52.47%



(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)

5B.15 - Net Stable Funding Ratio

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

(Basic Table)	Quarter ended 30 June 2022					Quarter ended 30 September 2022				
	Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 yr	1 to 2 yr		No maturity	< 6 months	6 months to < 1 yr	1 to 2 yr	
NSF Item										
1 Capital (2A2)	115,431	-	-	-	17,900	115,431	-	-	-	17,900
2 Eligible capital	115,431	-	-	-	17,900	115,431	-	-	-	17,900
3 Other capital instruments	-	-	-	-	-	-	-	-	-	-
4 Retail deposits and deposits from small business customers (2A4)	223,335	201,778	927	1,183	385,588	223,335	201,778	927	1,183	385,588
5 State deposits	21,316	-	-	-	28,230	21,316	-	-	-	28,230
6 Term deposits	202,019	201,778	927	1,183	357,358	202,019	201,778	927	1,183	357,358
7 Wholesale funding (2A6)	9,020	132,143	175,518	180,103	240,423	9,020	132,143	175,518	180,103	240,423
8 Operational deposits	-	-	-	-	-	-	-	-	-	-
9 Other wholesale funding	8,000	132,143	175,518	180,103	240,423	8,000	132,143	175,518	180,103	240,423
10 Other liabilities (11+12)	27,395	-	-	-	27,395	27,395	-	-	-	27,395
11 NSFR derivative liabilities	-	-	-	-	-	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	-	-	-	-	-	-	-	-	-
13 Total NSF (1+4+7+10)	337,781	-	-	-	606,141	337,781	-	-	-	606,141
NSF Item										
14 Total NSFR high-quality liquid assets (NSF 1A)	-	-	-	-	8,000	-	-	-	-	8,000
15 Unsecured retail at other financial institutions for operational purposes	5,214	-	-	-	807	5,214	-	-	-	807
16 Performing loans and securities (11+12+13+14)	-	260,129	188,373	280,137	450,848	-	260,129	188,373	280,137	450,848
17 Performing loans to financial institutions secured by Level 1 HQLA	-	800	-	-	800	-	800	-	-	800
18 Performing loans to financial institutions secured by non-Level 1 HQLA and structured performing loans to financial institutions	-	9,668	1,205	3,252	5,458	-	9,668	1,205	3,252	5,458
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereign, central banks and MSMEs, if any	-	233,756	186,388	278,381	373,286	-	233,756	186,388	278,381	373,286
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, if any	-	7,304	7,956	73,824	73,881	-	7,304	7,956	73,881	73,881
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: items of rows 25 to 30	36,000	8,273	5,486	53,309	95,068	36,000	8,273	5,486	53,309	95,068
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	56,045	8,273	5,486	53,309	95,068	56,045	8,273	5,486	53,309	95,068
30 On balance sheet items	55,211	-	-	-	55,211	55,211	-	-	-	55,211
31 Total NSF (14+16+17+18+19+20+21+22+23+24+25+26+27+28+29)	-	-	-	-	55,211	-	-	-	-	55,211
32 Net Stable Funding Ratio (%)	-	-	-	-	139.91%	-	-	-	-	139.91%



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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)

(Rupee Lakhs)	Quarter ended 31 December 2021				Quarter ended 31 March 2022			
	Unweighted value for liquidity category	Weighted value	Unweighted value for liquidity category	Weighted value	Unweighted value for liquidity category	Weighted value	Unweighted value for liquidity category	Weighted value
	No. months	6 months to 1 yr	No. months	6 months to 1 yr	No. months	6 months to 1 yr	No. months	6 months to 1 yr
NSFR Items								
1 Capital (H3)	114,497	-	114,497	-	114,497	-	114,497	-
2 Regulatory capital	114,497	-	114,497	-	114,497	-	114,497	-
3 Other capital instruments	-	-	-	-	-	-	-	-
4 Total eligible assets and deposits	-	-	-	-	-	-	-	-
5 Government securities (H4)	-	-	-	-	-	-	-	-
6 Government deposits	-	-	-	-	-	-	-	-
7 Wholesale banking (H5)	-	-	-	-	-	-	-	-
8 Operational deposits	-	-	-	-	-	-	-	-
9 Other eligible funding (H6)	-	-	-	-	-	-	-	-
10 Other eligible (H7)	-	-	-	-	-	-	-	-
11 NSFR eligible liabilities	-	-	-	-	-	-	-	-
12 All other liabilities and assets not included in the above categories	-	-	-	-	-	-	-	-
13 Total NSFR (H4+H5+H6)	-	-	-	-	-	-	-	-
NSFR Items								
14 Total NSFR high-quality liquid assets (H2A)	-	-	-	-	-	-	-	-
15 Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-
16 Performing loans and securities (H3+H4+H5+H6)	-	-	-	-	-	-	-	-
17 Performing loans to financial institutions secured by Level 1 H2A	-	-	-	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 H2A and structured performing assets to financial institutions	-	-	-	-	-	-	-	-
19 Performing loans to non-financial corporates, SMEs, loans to retail and small business customers, and loans to sovereigns, central banks and CPSEs, of which	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
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 H2A, including exchange-traded equities	-	-	-	-	-	-	-	-
24 Other assets (sum of rows 25 to 29)	-	-	-	-	-	-	-	-
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-
26 Assets posted as collateral for derivatives contracts, and contributions to default funds of CCPs	-	-	-	-	-	-	-	-
27 NSFR derivatives assets	-	-	-	-	-	-	-	-
28 NSFR derivatives liabilities (contra reduction of variation margin posted)	-	-	-	-	-	-	-	-
29 All other assets not included in the above categories	-	-	-	-	-	-	-	-
30 Off-balance sheet items	-	-	-	-	-	-	-	-
31 Total NSFR (H4+H5+H6+H7)	-	-	-	-	-	-	-	-
32 Net Stable Funding Ratio (%)	-	-	-	-	-	-	-	-

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 various 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 risk. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are two key metrics introduced by the Bank. Subsequently, the Reserve Bank of India introduced detailed guidelines for measuring LCR and NSFR.

The NSFR promotes resilience over a longer-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 governs 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 ensuring 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 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 ₹ lakh except otherwise stated)**18.13 - Exposures****A. Exposure to Real Estate Assets¹**

Particulars	As on 31 March 2023	As on 31 March 2022
(i) Direct exposure		
(a) Residential mortgages ²	121,352	41,318
PPL, PPL 271 units as on 31 March 2023 and PPL 23,776 as on 31 March 2022		
(b) Commercial Real Estate ³	-	-
(c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures	-	-
(i) Residential	-	-
(ii) Commercial Real Estate	-	-
(d) Indirect Exposure ⁴	-	-
Total	121,352	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 housing loans eligible for inclusion in category (i) are those that are shown separately. Exposure would also include secured based (SBB) 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-land based (NFB) loans.

³ Fund based and non-fund based exposures on National Housing Bank.

⁴ Loan against property (other than the general business purpose other than real estate) secured against properties having exposures of ₹ 1,57,887 lakhs (as on 31 March 2023) considered to be real estate exposures (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 unsecured advances of the bank	484,624	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. Inter group exposure

The Bank does not have any inter group advances, hence inter 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 (NPAs) or transferred any Special Mention Account (SMA) and has not sold or assigned any loans not in default or assigned any stressed loans or purchased non-performing financial assets from other banks or sold non-performing financial assets to other banks.

The Bank has evaluated standard assets as per RBI Master Direction - Reserve Bank of India (Classification 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 (DPOD No BP/DC 13/20-89 dated December 31, 1998 as updated from time to time. (Refer Schedule 18.28)

18.13 - Disclosures 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 calculated 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 table summarizes 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	303	447
Interest cost	100	75
Expected return on plan assets	(360)	(211)
Net actuarial gain or loss	(285)	(113)
Paid service cost	-	-
Expense recognized in the Profit and Loss account	98	437



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Fincare 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 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	1,176
Less: Fair value of plan assets as at the end of the year	1,138	1,154
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	1,576	1,146
Service cost	383	447
Interest cost	132	78
Actuarial gain	(96)	(27)
Benefits paid	(273)	(181)
Defined benefit obligation at the end of the year	2,819	1,536
Changes in the fair value of plan assets:		
Fair value at the beginning of the year	1,154	1,039
Expected return on plan assets	80	71
Actual contribution	(28)	(70)
Contributions	158	142
Employer direct benefit payments	-	-
Benefits paid	(211)	(188)
Admin expenses/overhead paid from plan assets	-	-
Fair value as at the end of the year	1,538	1,134
Assumptions used in the above valuations are as under:		
Discount rate	7.33%	7.12%
Expected return on plan assets	7.32%	8.07%
Future salary increase	10.00%	10.00%
Mortality rate	30.00%	30.00%
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	1,576	1,585	671	327
Less: Fair value	1,138	1,154	1,839	147	755
Excess/(Deficit)	880	422	547	484	132
Experience adjustments on liability - gain / (loss)	9	22	23	1	(82)
Experience adjustments on assets - gain / (loss)	(20)	(70)	(7)	(8)	1

* Does not include interest income on investments.

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 ₹ 7,763 lakhs (31 March 2022: ₹ 1,745 lakhs).

C. Compensated absences

The accrued liability in respect of privilege leave granted to employees of the Bank and outstanding as at 31 March 2023 is ₹ 1,503 lakhs (31 March 2022: ₹ 1,275 lakhs).

Particulars	As at 31 March 2023	As at 31 March 2022
Assumptions used in the above valuations are as under:		
Discount rate	7.63%	7.12%
Future salary increase	12.00%	10.00%

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 investments	-	-
Provision for non-performing assets (includes bad debts written off ₹ 30,138 lakhs (31 March 2022: ₹ 38,940 lakhs))	45,327	35,319
Provision made towards income tax		
- current tax	803	2,238
- deferred tax (credit) (refer schedule 18.20)	1,566	(2,651)
- prior period tax	482	-
Provision for standard assets	884	(5,138)
Provision for restructured assets	(15,505)	13,679
Provision for other contingencies	2,185	386
	33,982	41,823



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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 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	8
Number of complaints received during the year	238	238
Number of complaints disposed during the year	239	238
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		
1. Number of maintainable complaints received by the bank from Office of Ombudsman	95	187
(a) Number of complaints resolved in favour of the bank from Office of Ombudsman	30	111
(b) Number of complaints resolved through conciliation/mediation/advocates issued by Office of Ombudsman	65	5
(c) Number of complaints resolved after passing of awards by Office of Ombudsman against the bank	-	-

The Bank has complied the data for the purpose of this disclosure from its Internal ARI System.

II. Number of directly underpinning of within the stipulated time period from the above (in lakhs)
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., complete the 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 2023					
I. ATM/Credit cards	-	20	(20%)	-	-
II. Loans and advances	1	65	40%	3	3
III. Internet/Mobile/Electronic banking	1	25	(39%)	-	-
IV. Levy of charges without prior notification/charge/penal charges	-	24	(55%)	1	-
V. Staff behaviour	1	1	(100%)	-	-
VI. Others	1	204	(37%)	3	1
Total	4	235		9	2
Year ended 31 March 2022					
I. ATM/Credit cards	-	44	(20%)	-	-
II. Loans and advances	2	44	(29%)	1	-
III. Internet/Mobile/Electronic banking	-	41	(37%)	1	-
IV. Levy of charges without prior notification/charge/penal charges	1	13	(86%)	-	-
V. Staff behaviour	-	8	(125%)	1	-
VI. Others	3	147	(19%)	1	-
Total	6	258		4	-

18.17 - Letter of comfort

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

18.18 - Bancassurance Business

The fees or commission earned in respect of bancassurance fund linking business.

Particulars	As at 31 March 2023	As at 31 March 2022
Income for selling life insurance policies	1,321	1,207
Income from selling non-life insurance policies	567	79
Income from selling mutual fund products	-	-



(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 (Special Purpose Vehicles) (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 2022 and 31 March 2021.

18.19 - Disclosure on Remuneration

A) Qualitative Disclosures

(i) Information relating to the composition and mandate of the Remuneration Committee

The Remuneration and Performance Committee (RPMC) of the Bank is the main body that sets the principles, parameters and governance framework of the remuneration policy and also advises the Board on its responsibility for remuneration policy and practices, reward fairly and responsibly, in relation to the Bank and individual performance.

As on 31 March 2022, the RPMC 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. Independent Risk Takers (IRIT) of the Bank.

External consultants whose advice has been sought, the fees by which they were commissioned, and in what areas of the remuneration process.

The Bank did not take any advice from an external consultant in any area of remuneration for the year ended 31 March 2022.

Scope of the Bank's remuneration policy (viz. by regions, business lines): Insofar as 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 31 was approved by the Board on 31 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, RMT, 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 roll-off staff) was 14,470.

(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 RPMC, 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/2019-20/20 DOR.44/2019 dated 01 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 being clear and robust 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 incentive components

c. ensure that remuneration is linked to results achieved by the individual in the Bank (i.e., Chief Executive Officer, RMT, Control function staff or Others)

Effective governance of compensation: The RPMC has oversight over compensation to KMP as well as RMT.

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 risk of the individual in the Bank.

For Chief Executive Officer and RMT, 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 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 31) 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 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.

(iii) 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 complies with its business activities within risk framework. The RPMC while assessing the performance of the Bank Chief Executive Officer and RMT, 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, non-performing assets, return on assets, etc. The risk management framework, effective management of stakeholder relationship and veracity 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 RPMC 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 RMT 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 RMT.



(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)

18.26 - 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 sustainable business growth, asset quality, profitability, productivity and efficiency metrics, compliance, digital adoption 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 parameters viz. Bank level goals, functional goals, individual competency assessment and subjective evaluation. The proposed weightage of performance parameters for NRC is Bank goals - 20%, Functional goals - 40%, Competency Rating - 20% and Subjective Assessment - 20%.

(i) 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 audit. 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 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 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 NRC 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 correction in variable pay, which can even be reduced to zero. While determination on account of sustainability factors may not necessarily be considered for corrective in variable compensation, the NRC may take a decision on the period of correction based on available information. Further deferred vesting, make and clawback shall be applicable to variable pay component of Chief Executive Officer and NRC in addition 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 NRC. 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 Bank 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 reverse vesting after it has already occurred. In the event of audit and moderate misrepresentation of reporting 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 clawback period of 3 years from the date of vesting shall be applicable to the clawback clause.

(e) 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 use 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:

- Performance Incentives - used for rewarding leaders (primarily Business functions) for business growth, customer satisfaction, asset quality, audit score etc.
- Performance Pay - used for rewarding performance against quarterly/quarterly goals/risk scores.
- 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 NRC. 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 2021.



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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 – Disclosure on Remuneration (cont'd)

18.26 – Disclosure on Remuneration (cont'd) (For 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 (IT is lakhs)	564	520
- Shares	Nil	Nil
- Share linked instruments (ESOPs) (Nil)	25,64,176 equity	15,05,606 equity shares
- Others	Nil	Nil
g) Total amount of deferred remuneration paid out during the year ²	123	Nil
h) Breakdown of amount of remuneration awards for the year to share based and variable, deferred and non deferred:		
- Fixed pay	1,680	1,550
- Variable pay		
- Non deferred (IT is lakhs)	500	281
- Deferred (ESOPs)	500	281
- Deferred (ESOPs) (Nil)	12,15,100 equity shares	15,05,116 equity shares
i) Total amount of outstanding deferred remuneration and related remuneration imposed to account impact and / or impact adjustments	Nil	Nil
j) Total amount of reductions during the financial year due to ex post impact adjustments	Nil	Nil
k) Total amount of reductions during the financial year due to ex post impact 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 mean pay for the bank as a whole (including sub-start)	-	3.75
q) Detailed breakdown of the pay of Managing Director/Non-Executive Director (if applicable)	30,688x	25,071x

18.27 – 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, MRTs other than MD & CEO were granted employee stock options and also were MRT assigned 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 Nil as it is computed as CTC for Active HC excluding MD & CEO as on 31-Mar-23 (Active HC as on period ended March 31, 2022).

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 disclosure related to Director/Officer of the pay is not applicable.

18.28 – 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 1,36,00,000 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 MRC at its sole discretion. The MRC would determine the vesting schedule of any grant made under this scheme and the same would be determined to the eligible employees at the time of the grant. An eligible employee shall be entitled to exercise the vested options and such amount of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price increased at the time of the grant.



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

18.21 - Employee Share Based Payments (Cont'd)

ESOP-2016/2018 Plan:

a) The details of activity under ESOP-2016/2018 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*	1,696,896	162.71	353,491	89.64
Granted during the year	1,212,102	110.88	1,346,143	125.14
Forfeited during the year	117,520	108.58	70,500	120.81
Expired during the year	-	-	-	-
Exercised during the year	-	-	-	-
Options outstanding at the end of the year	2,579,376	105.71	1,609,036	102.71
Out of the above exercisable at the end of the year	873,211	88.54	358,276	68.56

* 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 (₹)
50-60	141,566	1.50	88.33
60-100	422,186	2.17	85.29
100-150	1,146,400	2.80	120.81
150-180	1,169,224	3.80	110.80
	2,879,376		105.71

The details of exercise price for stock options exercisable 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 (₹)
50-60	141,566	2.50	88.33
60-100	422,186	2.77	85.29
100-150	1,172,044	3.23	120.81
	1,685,796		102.71

** The Management has made assumptions regarding the exercise date to compute weighted average remaining contractual life of the options which has been relied upon by the auditor.

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 2023	Year ended 31 March 2022
Weighted average exercise price (₹)	113.59	102.67
Weighted average share price (₹)	113.59	102.67
Expected volatility	45.34% - 41.05%	43.34% - 43.49%
Life of the options granted (Vesting and exercise period)	-	-
- At the grant date	8.00 yrs - 9.50 yrs	9.50 yrs - 9.50 yrs
Risk-free interest rate	5.00% - 4.79%	5.22% - 4.07%
Expected Dividend rate	0.00%	0.00%

As Fincare Small Finance Bank Limited is an unlisted company, as 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 data to maturity.

Note: Market data are as per the information 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	538
Compensation cost pertaining to equity-settled employee share-based payment plan included above	810	538
Liability for employee stock options outstanding as at year-end	1,450	928

18.22 - Collaterals relating to securitisation

Particulars	As at 31 March 2023	As at 31 March 2022
a) No. of EPEs holding assets for securitisation	11	9
b) Total amount of securitised assets as per books of the SPEs	58,464	5,712
c) Total amount of exposures related by the bank to comply with NPA 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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Pincare Small Finance Bank Limited
Schedule 18 - Notes to the financial statements
 (All amounts in ₹ lakh except otherwise stated)

18.12 - Securities relating to securitisation (Cont'd)

Particulars	As at 31 March 2023	As at 31 March 2022
a) Sale consideration received for the securitised assets and gains/loss on sale on account of securitisation	22,822	-
b) Fair and quantum (outstanding value) of securities provided by way of liquidity support/Loan-securitisation asset backing, etc.	-	-
c) Performance of facility provided:		
- Amount paid	-	-
- Payments received	-	-
- Outstanding amount	-	-
d) Average default rate of portfolio observed in the past	-	-
e) Amount and number of additional top-up loans given on same underlying assets	-	-
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 assets arising on:		
Depreciation and amortisation	785	588
Provision for employee benefits	-	-
Compaensated absence	380	321
Credibility	210	196
Long Term Redeemable Secu (LTS)	5	27
Others	1,843	180
Deferred cost	3	4
Provision on portfolio loans	5,577	8,061
	7,894	8,952

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, most of the branch lease agreements contain 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 2023	Year ended 31 March 2022
Lease payments recognised in the profit and loss account	4,565	3,471

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	347
Later than one year but not later than five years	112	257
Later than five years	-	79

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 in the week/period 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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Fincare Small Finance Bank Limited
Schedule 16 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

16.37 - Earnings per equity share

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Net profit attributable to equity shareholders	18,264	861
Weighted average number of shares outstanding during the year used for computing basic earnings per share (BPS)	222,176,720	219,552,589
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (DPS)	225,276,377	219,552,589
Basic earnings per share	4.68	0.39
Diluted earnings per share	4.68	0.39

16.38 - 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	75,808	48,400
2) Aggregate consideration received	75,808	48,400
3) Aggregate gain/losses ²	-	-
4) IBPCs outstanding	85,638	26,923

¹ Aggregate value of the open portfolio pool identified for IBPC transaction ₹ 18,260 lakhs (2022 : ₹ 13,520 lakhs).

16.39 - 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	-	-
(d) Contribution expenditure for any asset	-	-
(e) any other projects	239	240
Total	239	240
(f) spent till the year end	-	-
(g) pending year-end till	-	-
(h) reason for short fall	NA	NA

Focus of Activities - (i) Financial & Digital Literacy Camp (ii) Credit Relief Camp (iii) Promoting Water Conservation and Tree Plantation (iv) Health care camp and (v) COVID-19 pandemic support

16.40 - Payment of SBCGS Insurance Premiums

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Payment of SBCGS Insurance Premium	493	563
Amount in payment of SBCGS premium	-	-

16.41 - Priority Sector Lending Certificate (PSLC) Purchased and Sold during the Year

During the year ended 31 March 2023, the Bank sold PSLCs amounting to ₹ 2,15,098 lakhs (2022 : ₹ 2,86,080 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 : ₹ 58,080 lakhs) under Micro enterprise category. The expense incurred on the PSLCs bought during the year is ₹ 72 lakhs (2022 : ₹ 652 lakhs).

16.42 - 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, 2015 outlining the roadmap for implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) for limited time. 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 companies for the periods ending March 31, 2018 or thereafter. Preparing towards Ind AS, the Bank had prepared pro forma financials as on June 30, 2017 as per relevant 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, 2019. On March 22, 2019, the RBI has announced deferral of the implementation of Ind AS by banks. In further update however, the Bank continues to submit to the RBI pro-forma financials on half year basis.

16.43 - Marketing cost distribution

The Bank has incurred cost of ₹ 16 (31 March 2022 : ₹ 38 lakhs) with respect to marketing and distribution function (excluding branch/branch business) during the financial year ended 31 March 2023.

16.44 - 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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Fincare Small Finance Bank LimitedSchedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)**18.36 - 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 in regulatory requirements.

Other than the transactions described above

(a) No funds have been advanced or loaned (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 entities, including foreign entities ("Beneficiaries") with the understanding, whether recorded in writing or otherwise, that the Beneficiary 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 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 extended 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 III - Capital Regulation (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 as laid down by the RBI guidelines under Large Exposure Framework.

18.37 - Books 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 account/other books & papers maintained in electronic mode, including at a place outside India, 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 2021.

18.38 - 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.P. 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, resulting in edit 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 is 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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Pincare Small Finance Bank Limited

Schedule III - Notes to the financial statements
(All amounts in ₹ unless except 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 experts:-

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No. 181248W/LLP/000004

Sanvesh Warty.

Sanvesh Warty
Partner
Membership No.: 121411

Bengaluru
April 24, 2023



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

Ravi
Rajeshwarthy
MD and CEO
DIN: 00111379

Bengaluru
April 24, 2023

S. Harish
S. Harish
Director
DIN: 00157583

Abhinavaksh
April 24, 2023

S. Harish
S. Harish
Company Secretary
M No. F71886

Bengaluru
April 24, 2023

Babji
Praveen Kumar
Director
DIN: 02262413

Bengaluru
April 24, 2023

K. S. Srinivas
K. S. Srinivas
Chief Financial Officer

Bengaluru
April 24, 2023



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Chartered Accountants

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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

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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S.R. BATLIBOI & ASSOCIATES LLP
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.
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 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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Chartered Accountants

- ▶ 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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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: 22121411AJQGC7244

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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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

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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	394,364	140,043
Other liabilities and provisions	5	30,482	23,103
Total		1,090,580	796,767
Assets			
Cash and balances with Reserve Bank of India	6	111,679	103,650
Balance with banks and money at call and short notice	7	11,917	11,913
Investments	8	215,163	127,936
Advances	9	703,637	530,112
Fixed assets	10	4,234	3,619
Other assets	11	43,980	19,557
Total		1,090,580	796,767
Contingent liabilities	12	-	327
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: 101049WED300004For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limitedper Sarvesh Warty
Partner
Membership No.: 121411Mumbai
May 26, 2022Rajeev Yadav
MD and CEO
DIN: 00111379Bengaluru
May 26, 2022Pranod Kabra
Director
DIN: 02252403Mumbai
May 26, 2022Viney Bajaj
Director
DIN: 07516339Mumbai
May 26, 2022Rajur Doohi
Chief Financial OfficerBengaluru
May 26, 2022Shweta Kothari
Company Secretary
M No. F7598Bengaluru
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	Year ended 31 March 2021
I. Income			
Interest earned	13	144,587	125,103
Other income	14	20,178	12,966
Total		<u>164,765</u>	<u>137,071</u>
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		<u>152,878</u>	<u>126,357</u>
III. Profit/(loss)			
Net profit/(Loss-) for the year		887	11,314
Profit/(Loss-) brought forward		18,108	9,707
Total		<u>18,995</u>	<u>21,021</u>
IV. Appropriation			
Transfer to statutory reserves		222	2,829
Transfer to other reserves		1,254	84
Transfer to Government/proposed dividend		-	-
Balance carried over to the balance sheet		17,519	18,108
Total		<u>18,995</u>	<u>21,021</u>
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 report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101040WES00004For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limitedper Sarvesh Warty
Partner
Membership No.: 121411Rajeev Yadav
MD and CEO
DIN: 00111379Pranod Kabra
Director
DIN: 02252403Mumbai
May 28, 2022Bengaluru
May 28, 2022Mumbai
May 28, 2022Vinay Bajaj
Director
DIN: 07516339Keyur Doshi
Chief Financial OfficerMumbai
May 28, 2022Bengaluru
May 28, 2022Shelley Kohari
Company Secretary
M No. 77898Bengaluru
May 28, 2022

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Fincare 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
Amortisation 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	3,363
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	(545)	(122)
Loss on sale of investment in SLR securities	284	59
(Profit) on sale of investment in mutual funds	(18)	(28)
Operating profit before working capital changes	47,421	38,766
Adjustments for:		
Increase in deposits	112,708	68,457
Increase/(decrease) in other liabilities	12,196	4,063
(Increase) in investments (net)	(89,564)	(27,967)
(Increase) in advances	(222,286)	(89,968)
(Increase)/decrease in fixed deposits	(3,752)	(516)
(Increase) in other assets	(28,158)	(21)
Cash flows from/(used in) operating activities	(189,632)	58,912
Refund/(Payment) of direct taxes/(including Tax Deducted at Source)	(3,954)	(5,126)
Net cash flows from/(used in) operating activities	(186,361)	6,786
B. Cash flows from / (used in) investing activities:		
Purchase of fixed assets	(2,836)	(1,262)
Proceeds from sale of fixed assets	7	8
Purchase of investments in mutual funds	(5,000)	(18,000)
Proceeds from sale of investments in mutual funds	5,019	18,029
Proceeds from term money lending	(1,836)	(3,966)
Net cash flows from/(used in) investing activities	(6,246)	(5,229)
C. Cash flows from / (used in) financing activities:		
Proceeds from issue of equity shares	16,871	-
Proceeds from borrowing under the LAF segment	54,000	-
Proceeds from loans availed from banks and financial institutions	135,804	47,800
Repayment of loans availed from banks and financial institutions	(25,482)	(28,073)
Repayment of borrowing under the LAF segment	-	(6,702)
Net cash flows from/(used in) financing activities	171,293	3,227
Net increase in cash and cash equivalents during the half year ended (A+B+C)	2,942	2,784
Cash and cash equivalents at the beginning of the period	116,294	187,538
Cash and cash equivalents at the end of the period ^a	113,626	190,284

^a 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. Bhatnagar & Associates LLP
Chartered Accountants
Firm Registration No.:101048WAT300304

per Sanjay Warty
Partner
Membership No.: 121411

Mumbai
May 26, 2022

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

Rajeev Yadav
MD and CEO
DIN: 06111379

Bengaluru
May 26, 2022

Prasod Kabra
Director
DIN: 02252403

Mumbai
May 26, 2022

Vinay Rajpal
Director
DIN: 03516358

Mumbai
May 26, 2022

Kajal Desai
Chief Financial Officer

Bengaluru
May 26, 2022

Shelby Kohli
Company Secretary
M No. 77690

Bengaluru
May 26, 2022

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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 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	16,106
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	8,739	4,566
	9,366	5,603
II. Savings bank deposits	224,949	120,755
III. Term deposits		
i) From banks	173,120	149,085
ii) From others	238,123	256,407
	411,243	405,492
Total (I,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 31 March 2022	As on 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 31 March 2022	As on 31 March 2021
I. Bills payable	2,864	-
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	11,161
V. Others (including provisions)*	18,449	10,503
Total	30,492	23,103

* Others (including provisions)

	As on 31 March 2022	As on 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)	168	165
Other liabilities	9,373	4,438
	18,449	10,503

Schedule 6 - Cash and balances with Reserve Bank of India	As on 31 March 2022	As on 31 March 2021
I. Cash in hand (including foreign currency notes)*	3,304	2,626
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 31 March 2022	As on 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 marked with UIDAI ₹ 32 lakhs (31 March 2021: ₹ 30 lakhs)

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Fincare Small Finance Bank LimitedSchedules forming part of the Balance Sheet as on 31 March 2022
(All amounts in ₹ lakhs except otherwise stated)

Schedule 8 - 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 9 - 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 LimitedSchedules 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		
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
	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		
Principal subordination	-	327
	-	327

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Fincare Small Finance Bank LimitedSchedules 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	3,251
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	12,568
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	3,357	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 18 - Operating expenses (cont'd)

1 Other expenditure	Year Ended 31 March 2022	Year Ended 31 March 2021
Traveling and conveyance	1,055	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.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

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
posits of twenty largest depositors	114,812	88,141
age of deposits of twenty largest depositors to total deposits of the Bank	17.73%	16.20%
ination 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.

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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

2.4 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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Fincare Small Finance Bank Limited

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.

(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

2.11 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

(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

2.14 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 renders 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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Fincare Small Finance Bank Limited

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 item 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.

(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

2.18 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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Fincare Small Finance Bank Limited

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 31 March 2022	As on 31 March 2021
I Common Equity Tier 1 capital (CET 1) Paid-up share capital and reserves (net of deductions, if any)	908,488	94,049
II Additional Tier 1 capital/ Other Tier 1 capital	-	-
III Tier 1 capital (I and II)	908,488	94,049
IV Tier 2 capital	15,758	17,556
V Total capital (III and IV)	924,246	111,605
VI Total Risk Weighted Assets (RWAs)	556,836	377,576
VII CET 1 Ratio	19.49%	24.91%
VIII Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	19.49%	24.91%
IX Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	2.84%	4.68%
X Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	22.32%	29.59%
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
INES19C06020	29 May 2017	12.80%	66	2,500	2,500
INES19C06145	20 March 2018	11.30%	75	3,700	3,700
INES19C06137	22 March 2018	11.30%	75	3,600	3,600
INES19C06152	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 Equity Shares	Amount (₹)	As on 31 March 2021 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	9,582,759	990	-	-
Addition pursuant to bonus equity shares issued during the period	147,185,480	14,719	-	-
Equity shares outstanding at the end of the year	238,779,730	22,070	83,610,481	6,361

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

Fincare Small Finance Bank LimitedSchedule 13 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)**18.2 - 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	-	-	215,172	-	-	-
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	545	-	-	10	-	-	554	-	-	-
Net	214,147	-	-	1,025	-	-	214,618	-	-	-

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	85,542	-	-	-	-	-	85,542	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-
Net	85,542	-	-	-	-	-	85,542	-	-	-
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	127,906	-	-	-	-	-	127,906	-	-	-
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	3	-	-	-	-	-	3	-	-	-
Net	127,903	-	-	-	-	-	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	594	3
c) Less: Write off / write back of excess provisions during the year	3	8
d) Closing balance	594	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 HTFC/Current category	2%	2%

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Fincare Small Finance Bank LimitedSchedule 19 - 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 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	133,600	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	25,032	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/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

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

13.4 - Asset quality

A. Classification of advances and provisions held

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	550,629	522,947	2,411	439	1,822	4,472	527,419
Add: Additions during the year					159,846						35,712	
Less: Reductions during the year*					87,662						4,826	
Closing balance	578,054	52,837	3,612	874	57,323	735,677	515,270	22,027	1,232	12,100	35,359	550,629
*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					36,640	36,640					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	8,067	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						21,108	
Less: Excess provision reversed/ Write-offs loans					60,056						3,067	
Closing balance of provisions held	5,942	30,320	1,146	874	32,340	37,662	11,161	8,067	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					32,662					15,012		
Less: Reductions during the year					22,627					2,146		
Closing Balance		22,517	2,466	-	24,983		13,970	871	-	14,841		
Floating Provisions												
Opening Balance					-					-		
Add: Additional provisions made during the year					-					-		
Less: Amount drawn down/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					36,640						3,363	
off accounts during the year					628						170	
Closing balance					57,051						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. 5005 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%	2.60%
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/2021-22/63 DOR.ACC.REC.No.45/21.04.016/2021-22 dated 30 August 2021 this note has been discontinued from the current financial year)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
Asset Classification		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	-	-	-	-	-	-	-	-	-	-	236	14,326	-	-	14,564	236	14,326	-	-	14,564
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	82	5,486	-	-	5,570	82	5,486	-	-	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	14,569	224	14,317	-	28	14,569
	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 14,326 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 ₹ 5,330 lakhs and ₹ 839 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/2015-19/203 DOR.No.BP/BC.15/21.04.048/2015-19 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.

(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)**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	266	2,801	12,138
Total	25,977	10,673	266	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 2021² Represents fund based outstanding as of 30 September 2021³ 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, 2018 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	5,342	11,161
	5,342	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	414,362	34,015	8.21%	396,015	18,485	4.66%
Small & Marginal Farmer	307,525	28,970	9.42%	237,469	14,829	6.24%
Agriculture-Others	106,837	5,045	4.72%	60,546	3,655	6.04%
II. Advances to industries sector eligible as priority sector lending	2,011	27	1.34%	92	10	10.67%
III. Services	13,467	114	0.85%	52,865	7,371	13.94%
IV. Personal loans and others	204,962	17,943	8.71%	120,367	3,335	2.77%
Sub-total (A)	634,732	51,999	8.19%	671,259	29,261	4.36%
B. Non Priority Sector						
Agriculture and allied activities	9,311	260	2.79%	2,349	55	2.34%
Industry	6,662	223	3.33%	1,156	17	1.47%
Services	15,438	190	1.23%	5,191	60	1.16%
Personal loans	85,616	4,851	5.66%	70,703	5,963	8.43%
Sub-total (B)	111,027	5,324	4.79%	79,371	6,155	7.76%
Total (A+B)	745,759	57,323	7.68%	750,630	35,416	4.72%

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 ₹ 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.

M. Overseas Assets, NPAs and Revenue

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	43	35
Amount involved in such frauds	71	659
Provision made during the year (net of recovery)	18	638
Unamortised 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	15.46%	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	9.88%	9.62%
(v) Operating profit ⁴ as a percentage to working funds ¹	4.61%	4.63%
(vi) Return on assets (average) ⁵	0.09%	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).

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

Fincare Small Finance Bank LimitedSchedule 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)**18.6 - 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 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	15,925	8,469	20,154	4,057	12,809	12,746	53,313	160,905	337,257	18,739	1,394	645,556
Advances ^{1,2}	2,215	6,872	10,275	16,196	37,628	40,499	109,388	173,097	205,590	48,882	52,515	703,637
Investments	49,491	2,226	2,545	4,317	2,043	2,308	15,733	77,656	53,903	4,757	242	215,163
Borrowings ³	-	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 months & 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	11,265	11,537	51,603	117,567	289,170	27,537	7	531,850
Advances ^{1,2}	1,545	4,701	7,471	14,939	30,394	32,362	88,383	140,955	156,083	31,430	21,179	530,112
Investments	39,965	1,943	1,834	3,336	1,427	1,598	7,800	16,750	46,595	6,722	1	127,896
Borrowings ³	-	-	1,800	-	-	533	12,363	15,845	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 date 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:

1 The above borrowings exclude interest accrued and due and interest accrued but not due.

2 The advances comprise of portfolio loan and does not include interest accrued but not due.

3 Includes interest bearing loans only.

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

Fincare Small Finance Bank LimitedSchedule 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	-	-	14,269	25,647
Unallocated expenses									13,734	11,035
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	7,657	709,476	528,706	-	-	1,071,175	781,355
Unallocated assets									19,415	15,482
Total assets									1,090,590	796,787
Segment liabilities	165,066	45,550	1,101	2,983	773,548	635,736	-	-	940,735	685,288
Unallocated liabilities									149,955	111,519
Total liabilities									1,090,590	796,787

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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Fincare Small Finance Bank LimitedSchedule 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>i) Parties where control exists</i>	
Fincare Business Services Limited	Holding Company
<i>ii) Key management personnel</i>	
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer
Mr. Keyur Doshi	Chief Financial Officer
Ms. Sharfaly Kothari	Company Secretary

<i>iii) Other related parties</i>	Relatives of key management personnel
Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, GOPALBHAI DOSHI (HUF), Keyur Doshi HUF, Ms. Sarojben Doshi, Dr. Poonam Yadav, Mr. Vinay Yadav, Ms. Nysa Yadav, Ms. Saroj Khole and Mr. H S Khole.	

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	668,644	10	67	-
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	1,226,168	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	668,644	160	910	-
Managerial remuneration/remuneration for KMP					
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer			386	296
Mr. Keyur Doshi	Chief Financial Officer			137	121
Ms. Sharfaly Kothari	Company Secretary			32	26
Term deposits made with the Bank					
Fincare Business Services Limited	Holding Company			2,699	6,766
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

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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)

Nature of transaction	Relationship	31 March 2022	31 March 2021
Interest expense on term deposits			
Fincare Business Services Limited	Holding Company	15	6
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. Sharfaj 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. Sharfaj Kothari	Company Secretary	19	8
Relative of key management personnel	Relative of key management personnel	453	572
Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	1,889
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 LimitedSchedule 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 2021
Deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	4,393	9,051
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	9	1
Mr. Keyur Doshi	Chief Financial Officer	824	2
Ms. Shafaly 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. Shafaly 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 results are known/materialized. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Fincare Small Finance Bank Limited 2.8 Revenue recognition

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

18.8 - Concentration of deposits, advances, exposures and NPAs
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.

A. Concentration of deposits		As on 31 March 2022	As on 31 March 2021
Particulars			
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%	16.20%
B. Concentration of advances		As on 31 March 2022	As on 31 March 2021
Particulars			
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 systems.			
C. Concentration of exposures		As on 31 March 2022	As on 31 March 2021
Particulars			
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 systems.			
D. Concentration of NPAs		As on 31 March 2022	As on 31 March 2021
Particulars			
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	37,915
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	9,820
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	352
6) Other contractual funding obligations	6,780	8,780	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)	102,159	-	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	12,945	6,472	12,416	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 computed the data for the purpose of this disclosure from its internal ARS system.

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Fincare Small Finance Bank LimitedSchedule 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)	69,631	69,631	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	3,824	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	334	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	36,668	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		65,062		103,523		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 estimate have

The Bank has compiled the data for the purpose of this 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 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 18 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)
18.11 - 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	≤ 6 months	6 months to < 1 yr	1 to 2 yr	Unweighted value by residual maturity	≤ 6 months	6 months to < 1 yr	1 to 2 yr
ASF Item								
1 Capital: (2+3)	1,145	-	-	175	1,300	-	-	175
2 Regulatory capital	1,145	-	-	175	1,300	-	-	175
3 Other capital instruments	-	-	-	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	520	441	2,096	-	614	440	3,175
5 Stable deposits	-	-	-	-	-	-	-	-
6 Less stable deposits	-	520	441	2,096	-	614	440	3,175
7 Wholesale funding: (8+9)	-	1,114	970	1,973	-	1,294	1,932	2,172
8 Operational deposits	-	-	-	-	-	-	-	-
9 Other wholesale funding	-	1,114	970	1,973	-	1,294	1,932	2,172
10 Other liabilities: (11+12)	390	-	-	-	305	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	390	-	-	-	305	-	-	-
13 Total ASF (1+4+7+10)	1,544	1,834	1,411	5,144	1,507	1,908	1,970	5,322
RSF Item								
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	63	-	-	-	64
15 Deposits held at other financial institutions for operational purposes	14	-	-	-	7	12	-	-
16 Performing loans and securities: (17+18+19+21+23)	-	2,241	1,029	2,768	-	2,340	1,731	3,073
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
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSDEs, of which:	-	2,142	1,502	2,149	-	2,290	1,852	2,361
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	-	70	74	701
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	428	50	-	590	490	274	55	534
30 Off-balance sheet items	64	-	-	-	3	164	-	-
31 Total RSF (14+15+16+24+29+30)	-	-	-	5,390	-	-	-	5,910
32 Net Stable Funding Ratio (%)	-	-	-	137.05%	-	-	-	132.61%

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 longer-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 ensure 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 Sector ⁴

Particulars	As on 31 March 2022	As on 31 March 2021
i) Direct exposure		
a) Residential Mortgages ¹	41,398	8,968
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	41,398	8,968

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. 1,09,082 lakhs have not been considered in real estate exposure (previous year – Rs.65,628 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
i) Total unsecured advances of the bank	524,352	420,041
ii) Out of i), amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc have been taken	-	-
iii) 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)
Past 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	1,058
Service cost	447	328
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	847
Expected return on plan assets	71	49
Actuarial Gain/(loss)	(12)	(5)
Contributions	162	380
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%
Mortality 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 ₹ 38,951 lakhs (31 March 2021: ₹ 3,393 lakhs))	38,610	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	(99)
	42,226	25,025

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

Fincare Small Finance Bank LimitedSchedule 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	564
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	(86%)	-	-
II. Loans and advances	2	44	69%	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	(48%)	1	-
Total	6	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		6	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	-	-

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

Hincare Small Finance Bank Limited

Schedule 18 - 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 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 11,098.

(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 efficiency 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.BC.No.23/29.57/001/2019-20 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 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 adopted for MRT.

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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 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 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 wilful 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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(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 31 March 2022	Year ended 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	267
- Shares	Nil	Nil
- Share linked instruments (ESOPs) ³ / ⁴ (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	1,559	1,437
- Variable pay		
- Non deferred ⁵ (₹ in lakhs)	291	158
- Deferred ⁶ (ESOPs) ⁷	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 ⁸	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) ⁹	3.25	3.39
q) Deviation/Ratio of the pay of Managing Director from/to the mean pay ⁹ (₹ in lakhs/times)	2929/1x	285/05.13X

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 be 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 & 75,29873) and the exercise price was reduced to 265/3 and 280/3 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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(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 RSI. 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 (₹)
50-80	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%	6.40% - 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	8	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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(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	485
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	5,759
	6,302	6,661

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	2,889

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 (nos)	231,967,571	204,172,596
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (nos)	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
	306	-0	306

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
	149	-	149

18.30 - Payment of DICGC Insurance Premium

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Payment of DICGC Insurance Premium	560	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: ₹ 257,500 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, 2018 onwards, with comparatives for the periods ending March 31, 2018 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.

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Pincare Small Finance Bank LimitedSchedule 18 - 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 III - Capital Regulation / Master Direction on 'Basel III 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: 101049W/300004

For and on behalf of the Board of Directors of
Pincare 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: 00252403

Mumbai
May 26, 2022

Vinay Bajaj
Director
DIN: 07518339

Mumbai
May 26, 2022

Kayur Doshi
Chief Financial Officer

Bengaluru
May 26, 2022

Shelshy 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
T +91 22 6626 2699
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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 U-41, Connaught Circus, Outer Circle, New Delhi, 110001, 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

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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Chartered Accountants

Offices in Bengaluru, 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

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
<p>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:</p> <ul style="list-style-type: none"> 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. <p>Implementation of COVID-19 related measures</p> <p>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.</p> <p>Implementation of the RBI circulars also required the Bank to implement necessary changes in its information technology systems.</p> <p>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.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> 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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Chartered Accountants

Offices in Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

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(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

<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.
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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.



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Chartered Accountants

Offices 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

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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Chartered Accountants

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(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

- 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

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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
Offices in Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Kavi, 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 (i) 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 Chandrak & 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	22,938	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 Chandlok 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

Kayur Doshi
Chief Financial Officer

Baroda
14 June 2021

Shafaly 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		9,707	(618)
Total Profit		21,021	13,727
IV. Appropriation/transfers			
Transfer to statutory reserves		2,829	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.: 001078NIN500013Manish Gujral
Partner
Membership No.: 105117Mumbai
14 June 2021For and on behalf of the Board of Directors of
Fincare Small Finance Bank LimitedRajeev Yadav
MD and CEO
DIN: 00111379Bengaluru
14 June 2021Vinay Bajaj
Director
DIN: 07516339Mumbai
14 June 2021Shruti Kothari
Company Secretary
M No. F7698Bengaluru
14 June 2021Pranod Kabra
Director
DIN: 02252403Mumbai
14 June 2021Keyur Doshi
Chief Financial OfficerBandra
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 amortisation 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	3,393	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	10,513	54,464
Taxes on income paid, net	(6,129)	(7,466)
Net cash generated from operating activities	4,384	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	(18,000)	(48,000)
Proceeds from sale of investments in mutual funds	18,029	48,106
Proceeds from term money lending	(3,999)	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)	2,358	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 year ¹	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	103,650	105,853
Balances with banks and money at call and short notice	6,634	1,673
	<u>110,284</u>	<u>107,526</u>

As per our report of even date

For Walker Chandniok 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



Shefali 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	3,587
Deductions during the year	-	-
	9,416	6,587
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	9,707
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	52,511
III. Term deposits		
i) From banks	149,085	167,023
ii) From others	256,407	242,864
	405,492	409,887
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)

Schedule 4 - Borrowings	As at 31 March 2021	As at 31 March 2020
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 deducted at 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	4,430	1,554
	10,336	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	12,246
ii) In other accounts	85,200	91,800
Total Cash and balances with Reserve Bank of India	103,650	105,853

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	8,634	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) lien 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	127,936	100,696
III. Investments		
A. Investments in India		
Gross value of investments	127,909	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	127,936	100,696
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	1,065	1,651
iii) Term loans ¹	528,147	479,887
Total advances	530,112	481,538
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	376,858
Total advances	530,112	481,538
C. i. Advances in India		
ii) Priority sectors	443,712	403,868
iii) Public sector	-	-
iv) Banks	-	-
v) 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	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: ₹ 43,660 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	7,976	5,584
Opening balance	1,292	2,433
Additions during the year	(59)	(41)
Deductions during the year	-	-
Closing balance	9,209	7,278
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 ₹ 102 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	23
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)	6,651	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 - loans	-	-
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	-	305
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	94,408
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	3,186
	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	3,483
	Others	935	684
		7,537	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	11,353	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 18.31)	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 expenditure 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	593
Communication expenses	465	264
Contribution towards CSR expenses (refer schedule 18.36)	149	36
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	1,341
	<u>6,334</u>	<u>5,358</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/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 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 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.

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 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.

2.8 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 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 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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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	As at 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 (%)	4.65%	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 infusion

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 Equity Shares Amount (₹)	As at 31 March 2020 Equity Shares Amount (₹)
Equity shares at the beginning of the year	63,610,481	58,435,961
Addition pursuant to equity shares issued during the year	-	7,174,500
Equity shares outstanding at the end of the year	63,610,481	63,610,481

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 31 March 2021	As at 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 HTM	As at 31 March 2021 AFS	As at 31 March 2020 HTM	As at 31 March 2020 AFS
i) Government securities	86,542	41,394	58,164	42,532
ii) Other approved securities	-	-	-	-
iii) Shares	-	-	-	-
iv) Debentures and bonds	-	-	-	-
v) Subsidiaries and joint ventures	-	-	-	-
vi) Others	-	-	-	-



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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements
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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	25,022	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 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/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.

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	3,087	4,909
(d) Closing balance	28,518	2,497

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

(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	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	14,326	-	-	14,564	238	14,326	-	-	14,564
	Amount Outstanding	-	-	-	-	-	-	-	-	-	82	5,488	-	-	5,570	82	5,488	-	-	5,570
	Provision thereon	-	-	-	-	-	-	-	-	-	23	1,589	-	-	1,612	23	1,589	-	-	1,612
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	-	-	-	-	-	-	-	-	-	(6)	(6)	-	8	-	(6)	(6)	-	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)	(4)	-	(3)	-	(1)	(4)	-
	Provision thereon	-	-	-	-	-	-	-	-	-	(3)	-	(1)	(4)	-	(3)	-	(1)	(4)	-
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	(31)	-	(8)	(39)	-	(31)	-	(8)	(39)	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	(1)	-	(5)	(6)	-	(1)	-	(5)	(6)	-
	Provision thereon	-	-	-	-	-	-	-	-	-	(5)	-	0	(5)	-	(5)	-	0	(5)	-
Restructured Accounts as on March 31 of the year (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	224	14,317	-	28	14,669	224	14,317	-	28	14,669
	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 ₹ 5,393 lakhs and ₹ 839 lakhs respectively as on 31 March 2021.
2. Additional finance, with an amount outstanding and provision thereon of ₹ 132 lakhs and ₹ 32 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
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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	-	194	-	-	194
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	16	-	-	16	-	16	-	-	16
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	8	-	-	8	-	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)	-	-	16	-	-	(16)	-	-	16
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-	-	(1)	-	-	1
	Provision there-on	-	-	-	-	-	-	-	-	-	-	(1)	-	-	1	-	-	(1)	-	-	1
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(23)	-	-	(23)	-	-	(23)	-	-	(23)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)	-	-	(2)	-	-	(2)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	-	(1)	-	-	(1)
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in accounts	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(77)	-	-	(77)	-	-	(77)	-	-	(77)
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(11)	-	-	(11)	-	-	(11)	-	-	(11)
	Provision there-on	-	-	-	-	-	-	-	-	-	-	(8)	-	-	(8)	-	-	(8)	-	-	(8)
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured Accounts as on March 31 of the year (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	40	-	15	54	-	40	-	15	54
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	2	-	1	3	-	2	-	1	3
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	1	-	1	2	-	1	-	1	2
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



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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)

G. 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 ²	(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 ¹	-	-	-	-	-
OFWs, MSMEs	-	-	-	-	-
Others	35,826	4,123	-	8,260	2,142
Total	35,826	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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Fincare Small Finance Bank Limited

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
	11,161	10,610

(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	3,396	4,083
- Provision made in terms of paragraph 5 of the COVID-19 Regulatory Package		
In Q4 FY2020	268	260
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	73.68%	91.14%



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Schedule 18 - Notes to the financial statements
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18.6 - Business ratios

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Interest incomes 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	4.63%	5.74%
(iv) Return on assets (average) ²	1.44%	2.44%
(v) Business ³ per employee ⁴	116	98
(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 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 months & 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	4,820	11,285	11,537	51,603	1,17,587	285,170	27,537	7	531,556
Advances ¹ **	4,218	4,791	4,291	1,894	1,561	30,163	88,089	5,21,599	1,66,084	31,800	21,179	930,111
Investments	30,948	1,943	1,834	3,338	1,427	8,528	7,800	18,750	46,555	6,722	1	127,826
Borrowings	-	-	1,800	-	-	855	12,963	18,645	74,017	30,910	973	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 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	1,123	4,863	5,231	8,630	9,536	17,833	84,471	63,473	201,656	6,422	21	458,383
Advances ² *	-	179	117	1,363	1,725	23,869	81,078	146,184	193,060	19,372	14,591	481,599
Investments	27,812	1,462	927	2,926	2,146	1,678	12,750	10,172	37,807	1,515	1,484	100,695
Borrowings	-	-	3,675	-	-	2,438	16,164	18,918	62,113	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:

1 The above borrowings exclude interest accrued and due and interest accrued but not due.

2 The advances comprise of portfolio loan and does not include interest accrued but not due.

3 Includes interest bearing loans only.

4 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.

5 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 deferment 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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18.3 - 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. 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 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
Revenues	10,305	9,492	2,157	3,318	125,348	108,764	-	-	137,641	121,572
Expenses	8,747	5,005	765	1,730	15,125	25,968	-	-	24,637	16,703
Operating profit	1,558	4,487	1,392	1,588	110,223	82,796	-	-	111,603	104,869
Income taxes	-	-	-	-	-	-	-	-	-	-
Net profit	1,558	4,487	1,392	1,588	110,223	82,796	-	-	111,603	104,869
Other adjustments	-	-	-	-	-	-	-	-	-	-
Segment assets	244,742	210,342	7,287	23,601	526,706	487,607	-	-	778,735	721,550
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Total assets	244,742	210,342	7,287	23,601	526,706	487,607	-	-	778,735	721,550
Segment liabilities	45,993	87,290	2,983	11,207	636,738	543,929	-	-	685,714	642,426
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	45,993	87,290	2,983	11,207	636,738	543,929	-	-	685,714	642,426

Note:

In computing the above disclosures, certain assumptions and estimates are made by the management which have been relied upon by the auditor.



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18.9 - Related party disclosures

Description of relationship

Nature of relationship

(i) Parties where control exists
Fincare Business Services Limited

Holding Company

(ii) Key management personnel

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

Mr. Kayur Doshi

Chief Financial Officer

Ms. Shafaly Kothari

Company Secretary

(iii) Other related parties

Mr. Rakesh Rai, Ms. Kunal Kayur Doshi, Mr. Parth Kayur Doshi, Mr. Gopalchandra Doshi,
Ms. Sarojen Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nyasa Yadav, Ms. Saroj Khola and Mr. H S
Khola.

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		-	882
Fincare Business Services Limited	Holding company	-	882
Securities premium on equity shares		-	8,288
Fincare Business Services Limited	Holding company	-	8,288
Managerial remuneration/remuneration 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 disclosure (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. Kavya Doshi (₹ 12,542 (2020: ₹ 11,399))	Key management personnel	0	0
Ms. Shafaly Kohari (2020: ₹ 16,895)	Key management personnel	-	0
Relative of key management personnel	Relative of key management personnel	28	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. Kavya Doshi	Key management personnel	2	2
Ms. Shafaly 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. Kavya Doshi	Key management personnel	-	-
Ms. Shafaly 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



(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 - Related party disclosures (cont'd)
vi) Maximum outstanding during the year:

Nature of transaction	Relationship	31 March 2021	31 March 2020
Deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	3,507	1
Mr. Rajeev Yadav	Key management personnel	11	25
Mr. Mayur Pandey	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 [₹ 3,340 (2020: ₹ 15,120)]	Key management personnel	0	0
Mr. Mayur Pandey [₹ 1,746 (2020: ₹ 8,237)]	Key management personnel	0	0
Ms. Shafaly Kohari [₹ 5,555 (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	1,989	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	6,794

Note:

1. Lok Management Services Private Limited (LMSPL) had applied to the Regional Director (South East Region), Ministry of Corporate Affairs (MDA), Hyderabad 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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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

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	1.48%	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 (iii) 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
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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Fincare Small Finance Bank Limited

Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

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	18,486	8.50%	270,526	2,099	0.78%
Small & Marginal Farmer	237,483	14,529	6.54%	268,561	1,135	0.48%
Agriculture-Others	90,540	3,056	3.44%	40,965	954	2.33%
Advances to industries sector eligible as priority sector lending	32	10	10.81%	105	27	25.71%
Services	52,893	7,371	13.94%	95,583	847	0.89%
Personal loans and others	120,207	3,336	2.77%	30,916	305	0.99%
Sub-total (A)	471,289	29,201		406,130	3,268	
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	5,181	83	1.60%	1,030	29	2.82%
Personal loans	70,703	5,693	8.49%	76,745	1,170	1.52%
Sub-total (B)	79,391	6,153		77,925	1,204	
Total (A+B)	550,680	35,354		484,055	4,472	

¹ Gross of provision on Gross NPA ₹ 20,518 lakhs (31 March 2019: ₹ 2,497 lakhs)

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

Fincare Small Finance Bank Limited

Schedule 15 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

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.	197,469	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	208,537	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	3,624	28,421	10,395	20,650	2,853	18,091	6,417	16,603	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	298	6,789	339	2,595	129	2,647	576
6) Other contractual funding obligations	-	-	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-
8) Total Cash Outflows	N.A.	86,899	N.A.	118,355	N.A.	100,556	N.A.	102,842	N.A.	82,824
Cash inflows										
9) Secured lending (e.g. reverse repo)	127,289	-	65,006	-	91,104	-	80,811	-	73,102	-
10) Inflows from fully performing exposures	1,742	871	5,071	2,535	27,133	13,668	36,666	18,333	25,776	12,889
11) Other cash inflows	2,748	2,748	13,296	13,295	3,983	3,983	2,494	2,494	5,576	5,679
12) Total Cash Inflows	131,779	3,617	86,372	15,830	122,220	17,649	119,971	20,827	104,754	18,769
13) Total HQLA	N.A.	205,342	N.A.	179,376	N.A.	203,219	N.A.	197,469	N.A.	141,872
14) Total Net Cash Outflows	N.A.	85,682	N.A.	103,523	N.A.	83,008	N.A.	81,815	N.A.	64,099
15) Liquidity Coverage Ratio (%)	N.A.	241.35%	N.A.	173.27%	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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Fincare Small Finance Bank Limited

Schedule 13 - Notes to the financial statements
(All amounts in ₹ lakhs except otherwise stated)

13.12 - 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 reckoned 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 BSPC.

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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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 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 ₹ 48,041 lakhs (31 March 2020: ₹ 376,050 lakhs) disclosed in Schedule 9B (E) 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 080/08.03.000/2019-20 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)	109
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	1,186	1,058
Fair value of plan assets as at the end of the year	1,039	647
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	611
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	1,186	1,058

Changes in the fair value of plan assets:

Fair value at the beginning of the year	647	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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Schedule 18 - Notes to the financial statements

(All amounts in ₹ lakhs except otherwise stated)

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) (refer schedule 18.30)	(2,632)	(3,650)
- 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 complaints

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

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 Ombudsman 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

(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 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) if 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 employee 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/2013-20/89 DOR.Aptt.BC.No.23/29 dt.01/01/2019-20 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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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)

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 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 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 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 wilful 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 ¹ (₹ in lakhs)	156	274
- Deferred ² (ESOPs)	123,484	Nil
i) Total amount of outstanding deferred remuneration and retained remuneration deposited 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 ^{3,4}	55	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) ^{5,6}	3.39	NA
q) Dividend/Rate of the pay of Managing Director from/to the mean pay ^{5,6} (₹ in lakhs/times)	285/85.13X	NA

Notes

¹ 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.

² 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.

³ Includes three MRT who resigned during the year ended 31 March 2021.

⁴ Reporting for these clauses is effective from 01 April 2020.

⁵ 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 at 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 (₹)
261-270	48,188	2.77	265.00
271-280	-	-	-
281-290	-	-	-
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 options 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:

	Amount (₹)
For the year ended 31 March 2021	
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	11
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	1,050
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 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	-	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	103
Long Term Retention Bonus (LTRB)	103	49
Deferred rent	-	1
Provision on portfolio loans	5,759	3,299
Others	9	44
	6,651	4,019

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 MSME Act)	39	46
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)	656	36
Unaudited 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	58,705,378
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 : ₹ 266,950 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
Amount spent during the previous year on:			
i) Construction/Acquisition of asset	-	-	-
ii) On purpose other than (i) above	38	-	38

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



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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 Nil (2020 : ₹ 10,100 lakhs) under Micro enterprises category. The income earned on the PSLCs sold during the year is ₹ 4,696 lakhs (2020 : ₹ 4,338 lakhs).


As per our report of even date.

For Walker Chandok & Co LLP
Chartered Accountants
Firm Registration No: 001076NN500013


Manish Gujral
Partner
Membership No.: 106117
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 Balaji
Director
DIN: 07516339

Mumbai
14 June 2021


Sheshy 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

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ANNEXURE VI: ILLUSTRATION OF BOND CASH FLOWS

Issuer	Fincare Small Finance Bank Limited
Face Value	Rs.1,00,000 (Rupees One Lakh only) per Bond
Date of Allotment	July 05, 2023
Redemption Date	January 05, 2029
Coupon Rate	10.75% p.a.
Coupon Payment Frequency	Monthly and on Redemption
Day Count Convention	Actual / Actual

Cash Flow on a per Bond basis

Month	Payment Dates	Net Cash Flow	Principal	Interest	Principal O/s	
0	05-Jul-23	(1,00,000.00)			1,00,000.00	
1	05-Aug-23	913.01	-	913.01	1,00,000.00	
2	05-Sep-23	913.01	-	913.01	1,00,000.00	
3	05-Oct-23	883.56	-	883.56	1,00,000.00	
4	05-Nov-23	913.01	-	913.01	1,00,000.00	
5	05-Dec-23	883.56	-	883.56	1,00,000.00	
6	05-Jan-24	913.01	-	913.01	1,00,000.00	
7	05-Feb-24	910.52	-	910.52	1,00,000.00	Leap Year
8	05-Mar-24	851.78	-	851.78	1,00,000.00	
9	05-Apr-24	910.52	-	910.52	1,00,000.00	
10	05-May-24	881.15	-	881.15	1,00,000.00	
11	05-Jun-24	910.52	-	910.52	1,00,000.00	
12	05-Jul-24	881.15	-	881.15	1,00,000.00	
13	05-Aug-24	910.52	-	910.52	1,00,000.00	
14	05-Sep-24	910.52	-	910.52	1,00,000.00	
15	05-Oct-24	881.15	-	881.15	1,00,000.00	
16	05-Nov-24	910.52	-	910.52	1,00,000.00	
17	05-Dec-24	881.15	-	881.15	1,00,000.00	
18	05-Jan-25	910.52	-	910.52	1,00,000.00	
19	05-Feb-25	913.01	-	913.01	1,00,000.00	
20	05-Mar-25	824.66	-	824.66	1,00,000.00	
21	05-Apr-25	913.01	-	913.01	1,00,000.00	
22	05-May-25	883.56	-	883.56	1,00,000.00	
23	05-Jun-25	913.01	-	913.01	1,00,000.00	
24	05-Jul-25	883.56	-	883.56	1,00,000.00	
25	05-Aug-25	913.01	-	913.01	1,00,000.00	
26	05-Sep-25	913.01	-	913.01	1,00,000.00	
27	05-Oct-25	883.56	-	883.56	1,00,000.00	
28	05-Nov-25	913.01	-	913.01	1,00,000.00	
29	05-Dec-25	883.56	-	883.56	1,00,000.00	
30	05-Jan-26	913.01	-	913.01	1,00,000.00	
31	05-Feb-26	913.01	-	913.01	1,00,000.00	
32	05-Mar-26	824.66	-	824.66	1,00,000.00	
33	05-Apr-26	913.01	-	913.01	1,00,000.00	
34	05-May-26	883.56	-	883.56	1,00,000.00	
35	05-Jun-26	913.01	-	913.01	1,00,000.00	
36	05-Jul-26	883.56	-	883.56	1,00,000.00	
37	05-Aug-26	913.01	-	913.01	1,00,000.00	
38	05-Sep-26	913.01	-	913.01	1,00,000.00	
39	05-Oct-26	883.56	-	883.56	1,00,000.00	

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Month	Payment Dates	Net Cash Flow	Principal	Interest	Principal O/s	
40	05-Nov-26	913.01	-	913.01	1,00,000.00	
41	05-Dec-26	883.56	-	883.56	1,00,000.00	
42	05-Jan-27	913.01	-	913.01	1,00,000.00	
43	05-Feb-27	913.01	-	913.01	1,00,000.00	
44	05-Mar-27	824.66	-	824.66	1,00,000.00	
45	05-Apr-27	913.01	-	913.01	1,00,000.00	
46	05-May-27	883.56	-	883.56	1,00,000.00	
47	05-Jun-27	913.01	-	913.01	1,00,000.00	
48	05-Jul-27	883.56	-	883.56	1,00,000.00	
49	05-Aug-27	913.01	-	913.01	1,00,000.00	
50	05-Sep-27	913.01	-	913.01	1,00,000.00	
51	05-Oct-27	883.56	-	883.56	1,00,000.00	
52	05-Nov-27	913.01	-	913.01	1,00,000.00	
53	05-Dec-27	883.56	-	883.56	1,00,000.00	
54	05-Jan-28	913.01	-	913.01	1,00,000.00	
55	05-Feb-28	910.52	-	910.52	1,00,000.00	Leap Year
56	05-Mar-28	851.78	-	851.78	1,00,000.00	
57	05-Apr-28	910.52	-	910.52	1,00,000.00	
58	05-May-28	881.15	-	881.15	1,00,000.00	
59	05-Jun-28	910.52	-	910.52	1,00,000.00	
60	05-Jul-28	881.15	-	881.15	1,00,000.00	
61	05-Aug-28	910.52	-	910.52	1,00,000.00	
62	05-Sep-28	910.52	-	910.52	1,00,000.00	
63	05-Oct-28	881.15	-	881.15	1,00,000.00	
64	05-Nov-28	910.52	-	910.52	1,00,000.00	
65	05-Dec-28	881.15	-	881.15	1,00,000.00	
66	05-Jan-29	1,00,910.52	1,00,000.00	910.52	-	

*Calendar Year is considered while calculating Leap Year.

*Subject to Business Day Convention

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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: U67120GJ1995PLC025373

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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, 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: sfbcomsec@fincarebank.com Tel: 080-42504444

CIN: U67120GJ1995PLC025373

ANNEXURE VIII: SHAREHOLDERS' RESOLUTION

ANNEXURE IX: DUE DILIGENCE CERTIFICATES

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CTL/23-24/01362

(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 15,000 (Fifteen thousand) 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 150,00,00,000/- (Indian Rupees One Hundred Fifty Crores) including a green shoe option of INR 75,00,00,000 (Indian Rupees Seventy Five Crores Only) 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.**

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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 23, 2023



For Catalyst Trusteeship Limited
FOR CATALYST TRUSTEESHIP LIMITED

Kalyani Pandey
Authorized Signatory

Ms. Kalyani Pandey
Compliance Officer

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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/RM/TP-PPDI/146/23-24

June 23, 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 15,000 Rated, Subordinated, Unsecured, Listed, Transferable, Redeemable, Non-Convertible Debentures, having a Face Value of Rs. 1 Lakh each and an aggregate Face Value of Rs. 150 Crore including a Green Shoe option of 7,500 ("Debentures" or "NCD's" or "Bonds") (The "Issue").

We acknowledge receipt of your application on the online portal on June 23, 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 \(bseindia.com\)](#).

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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-RACPODI/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 ever 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


Rupali Khandelwal
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.

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