

THE SMARTER ALTERNATIVE

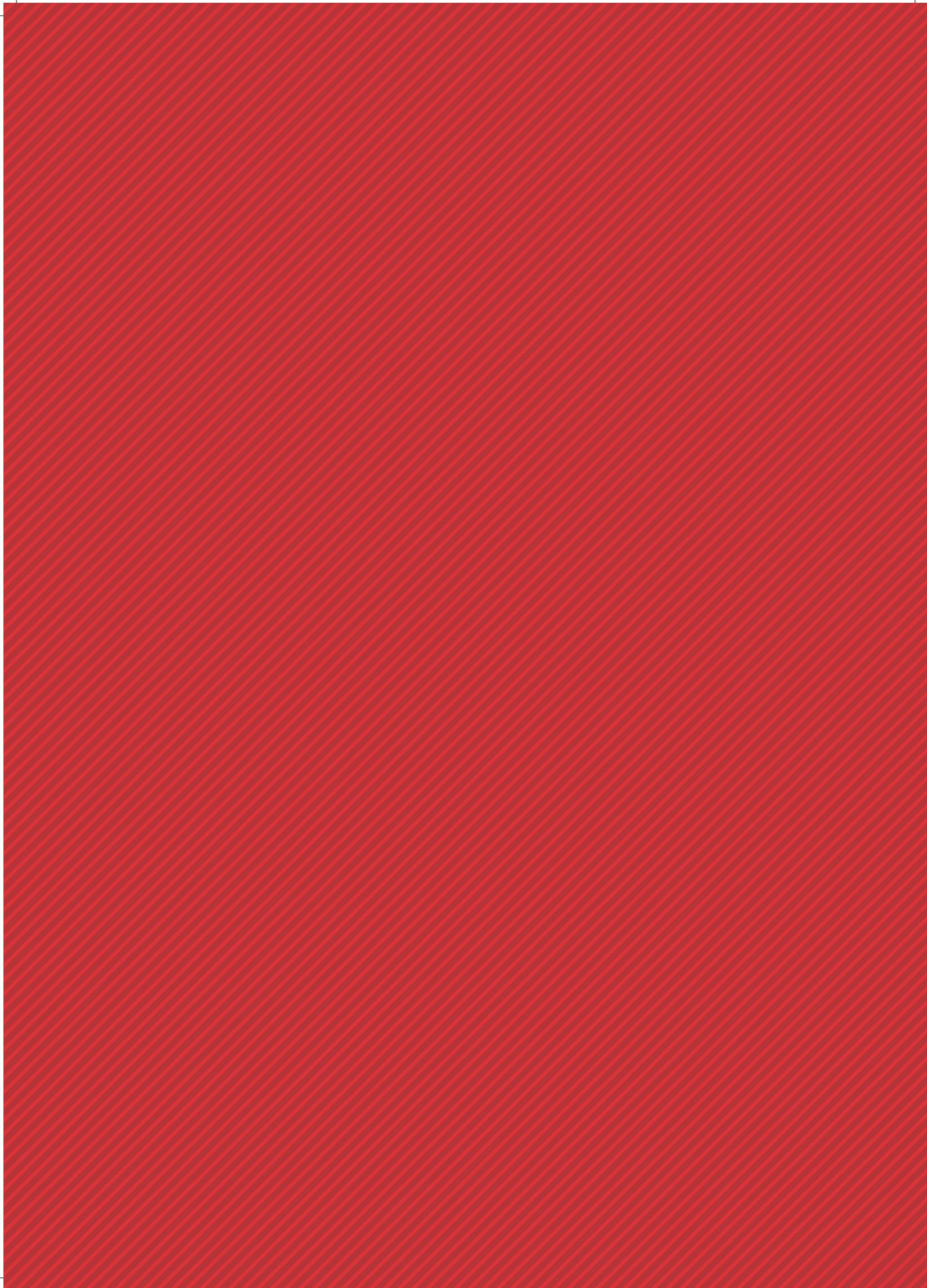
Leveraging SmartBanking technology, for inclusive growth

www.fincarebank.com



Annual Report
2017-18





Index

1	Bank with a difference - What Sets us Apart	02
2	From a Rich Legacy to a Smarter and Brighter future	03
3	The Growth Years	05
4	Smart Growth - the Year in Perspective	07
5	Chairman's Message	13
6	MD & CEO's Message	15
7	Board of Directors	18
8	Management Team	19
9	Our Network	21
10	Our Product Portfolio	23
11	A Smart Transformation from Microfinance to Rural Banking	33
12	Digital Banking - Smarter Way to Rurban Banking	37
13	Ahead with Smart Technology	40
14	Fincare - The Making of a Smart Bank	43
15	Social Initiatives - Caring for the Communities we work within	47
16	Human Capital - People are the Biggest Strength	49
17	SmartBanking Outlets	55
18	Centralized Processing Centre - the Smart Backbone	57
19	Risk, Compliance, Field Monitoring and Audit - Building Smart Controls	59
20	Director's Report (Annexures I,II,III,IV)	67
21	Management Discussion and Analysis	104
22	Pillar III Disclosures	108
23	Independent Auditors Report	119
24	Financials with all the Schedules	121

SMARTER IS THE NEW BETTER

Using technology, we have simplified, dis-intermediated and democratized the access to Finance.

We truly believe that - "if it is **worth doing**, it is **worth doing smarter!**"

This is Fincare SFB's chosen path.



BANK WITH A DIFFERENCE

WHAT SETS US APART



Superior understanding of customers - a strong legacy in Microfinance and deep penetration in rural markets.



Assisted banking - tab based solutions across all retail businesses.



Instant gratification - instant, paperless account opening and servicing, and instant credit decisioning.



Convenient, Doorstep Banking - relationship teams equipped with tabs.



Attractive product suite - LAP and LAG for micro and small businesses at competitive rates, and quick turnaround.



Superior rates on Savings and Fixed Deposit products - amongst the highest in the industry.



Simplified banking - simple products, easy documentation and straight through processes.



Anytime, anywhere banking - full-fledged Internet Banking and Mobile Banking.



Customer centricity - multilingual, toll free call center

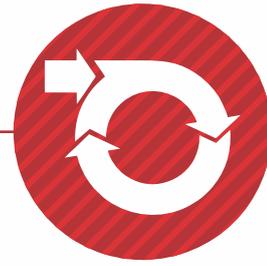


Enhanced access - Nearly 500 banking outlets



Positive brand appeal - association with Chess Grandmaster Viswanathan Anand.

FROM A RICH LEGACY, TO A SMARTER AND BRIGHTER FUTURE



OUR TRANSITION:

Our journey in the financial services business began in the late 2000s with the set up of Future Financial services - a Microfinance company with operations in Andhra Pradesh, and Disha Microfin - a Microfinance company with operations in Gujarat. Since then, we have grown from strength to strength, matured our operations, faced and overcame difficult circumstances and emerged more resilient. During the last financial year, we have expanded from a monoline product, offering a product suite consisting of various Credit, Savings, Payments and other products, grown our footprint across 10 states and 1 union territory and truly transformed as a Small Finance Bank.

Blessed with a rich legacy, we are making rapid strides towards a brighter, smarter future.

Our SmartBanking journey begins

Launch of Fincare Small Finance Bank



Launch Event, 1st Sep 2017, Marriott, Ahmedabad

FINCARE SFB - SNAPSHOT - THE GROWTH YEARS

FACILITATING
INCLUSIVE
FINANCE



2007

Future Financials Services Private Ltd (FFSPL), an NBFC- MFI commences Microfinance operations in Andhra Pradesh

2008

Disha Microfin, an NBFC-MFI commences Microfinance operations in Gujarat

2010

True North (formerly India Value Fund) invests in FFSPL and Disha Microfin

2013

- Exponential growth
- Expansion of Microloans business in South and West India
- Launch of Loan Against Property business

THE TRANSFORMATION YEARS



2014

FFSPL and Disha Microfin unite under brand name Fincare

2015

Receipt of Small Finance Bank in-principle approval, from RBI

2016

- **Banking transformation initiated**
- **Integration of FFSPL and Disha Microfin**

2017

- **Receipt of final license from RBI**
- **Conversion to and launch of Fincare Small Finance Bank**
- **Launch of Loan Against Gold and Institutional Finance business**

SMART GROWTH

THE YEAR IN PERSPECTIVE



Disha Microfin transformed to Fincare Small Finance bank and commenced operations in Jul 2017. Fincare SFB is a retail bank with a 'Rurban' focus, built on the foundation of trust, transparency and technology, with a promise to usher in a SmartBanking revolution.

As a bank, Fincare SFB offers a range of smart financial products covering the Credit, Savings, Insurance and payments needs of its customers; not only in urban, but also in rural and semi-urban markets.

Instant gratification through digital solutions is a fundamental value proposition offered by the Bank. The smart products and services offered by the Bank ensure that our customers enjoy the convenience of banking, anytime, anywhere.

(In ₹ Crore)

P&L HIGHLIGHTS

TOTAL INCOME



351

▲ 89% Y-O-Y growth

NET INTEREST INCOME



195

▲ 91% Y-O-Y growth

PAT



-98

OPERATIONAL HIGHLIGHTS

BANKING OUTLETS



364

CUSTOMERS



10 Lakh+

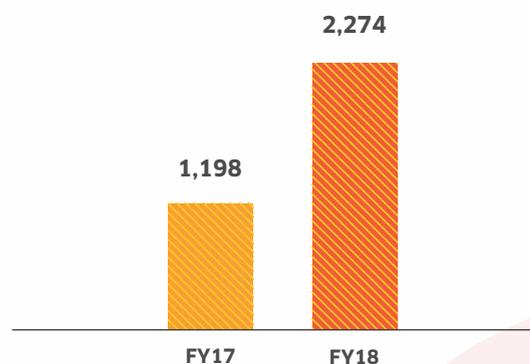
EMPLOYEES



4,357

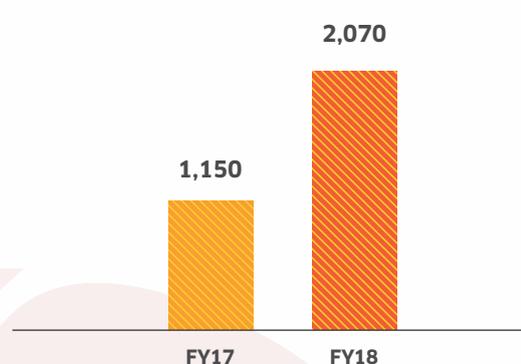
BALANCE SHEET TOTAL

▲ 90% Y-O-Y growth



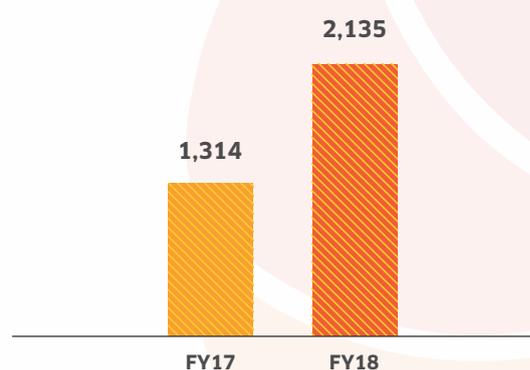
TOTAL DISBURSEMENTS

▲ 80% Y-O-Y growth

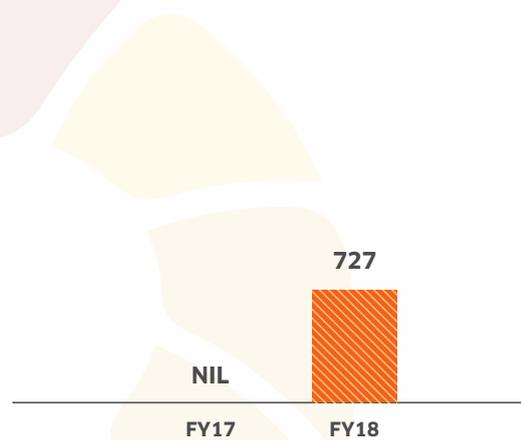


TOTAL ADVANCES

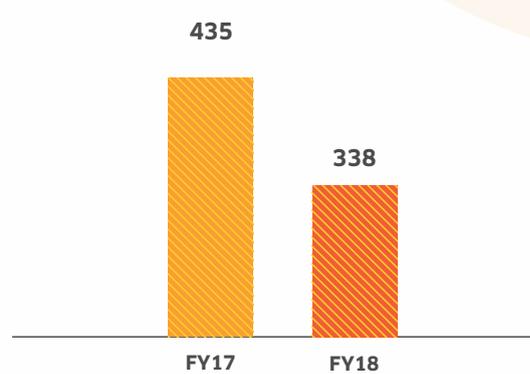
▲ 63% Y-O-Y growth



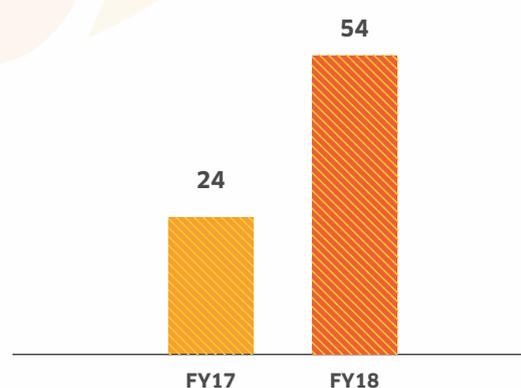
TOTAL DEPOSITS



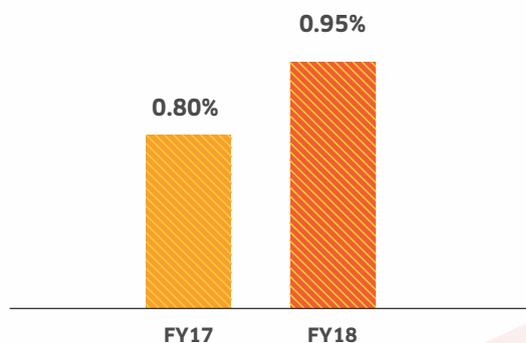
NET WORTH



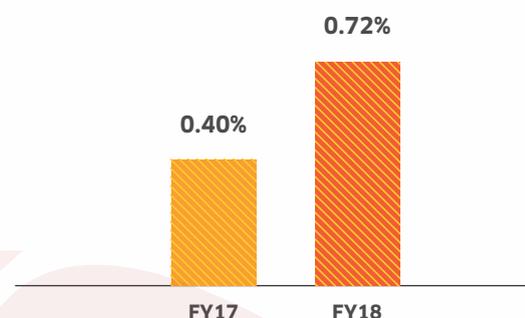
PRE PROVISION OPERATING PROFIT



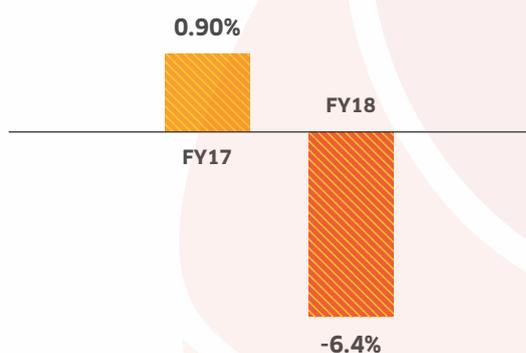
GROSS NON-PERFORMING ASSETS



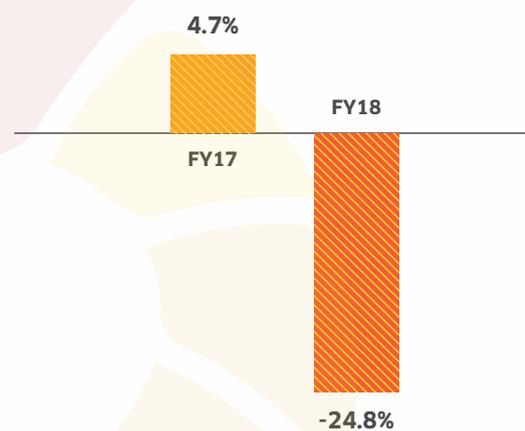
NET NON-PERFORMING ASSETS



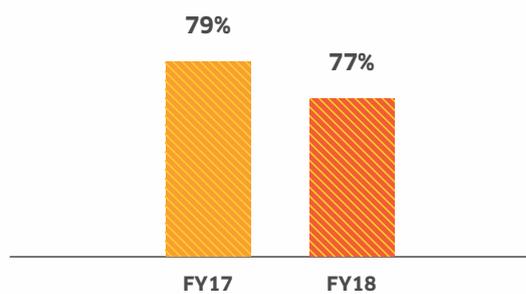
RETURN ON ASSETS



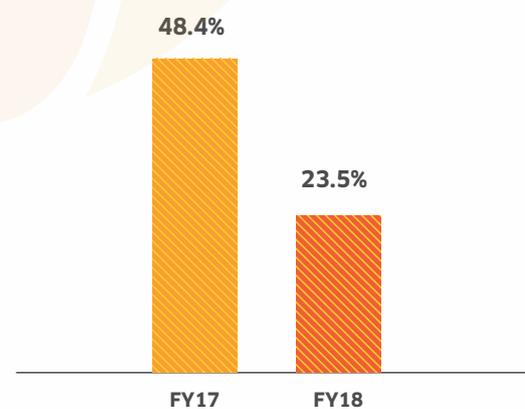
RETURN ON EQUITY



COST TO INCOME RATIO



CAPITAL ADEQUACY RATIO





CORPORATE OVERVIEW



**PASSIONATE
ABOUT VALUES**



**RURBAN
APPROACH**



**THINK CUSTOMER
DELIGHT**



**WIN WIN
PARTNERSHIP**



**WE
WHAT W
TH
FINC
WA**

VALUES CHARTER



FAIR



NIMBLE



INNOVATIVE



COLLABORATIVE

WE DO
WE SAY...
**THE
CARE
WAY**

**COMPLIANCE IN
LETTER & SPIRIT**



**DELIVER
PREDICTABLE RESULTS**



**IMAGINE THE
FUTURE**



**TECHNOLOGY LED
PROCESSES**



ACCOUNTABLE



EXCELLENT



RESOLUTE

Chairman's Message



We celebrated the first year of operation as a Small Finance Bank after navigating a challenging transition period, before orbiting into a path of discovering new skies.

Thanks to a strong foundation which includes a proven business model, passionate Management Team, rural-first centricity, strong process and technology orientation, financial inclusion focus and a robust compliance framework, all of which were recognized by the regulator as key ingredients in the making of a differentiated banking model, The license to set up a Small Finance Bank was granted to Fincare among other select players. During the year, in compliance with the licensing guidelines, the Bank has undergone comprehensive restructuring, and in the process has adopted a completely new avatar.

A standout point of the year has been the handling of the after-effects of the currency demonetization in the business environment. This period challenged

the tenacity and persistence of players across industries and sectors. Given that the banking and finance system was at its epicenter, it took the best of thinking and execution to overcome the sudden bump in the road. I am proud to share that the entire team at Fincare, under the leadership of its MD & CEO, has exhibited will, perseverance and diligence in overcoming concerns of all stakeholders, primarily its customers, by helping them make sense of the change. The position that we are in today on this issue strengthens my confidence that in the coming years, Fincare Small Finance Bank would achieve something bigger and outstanding.

As Chairman of this institution for the past one year, I have had the privilege of having a ringside, as well as an inside view of all that transpired. Of these, I would sure like to share five important aspects.

Coding a digital DNA

This is truly the first Digital-first

“

I am most proud to state that the present Management Team of the Bank is extremely passionate and committed to building a truly 'world class' bank, in letter and in spirit.

”

Bank, where every aspect of banking operations, including customer onboarding, backend processes and workflows, risk management, and compliance is looked at with the digital lens and every manual element is reviewed with the clear intent of eliminating that from the process. In our digital journey, a lot has already happened, but I think that the best is yet to come. I truly believe that it is a matter of time that Fincare will be seen as the foremost Digital Bank in the country.

Becoming a deposit generating engine

As an NBFC that converted to a Bank, Fincare Small Finance Bank had no history or experience of collecting and managing deposits. After conversion, once this source of funding opened up, the team got down to understanding the nuances of this business, learnt the ropes and touched a base of ₹ 727 Crore in deposits in the first year.

I firmly believe that once the

regulator grants the status of a Scheduled Bank, this journey will accelerate and become a stable and steady engine of funds for the Bank.

Achieving product diversification

Given our legacy as a Microloans company, retaining this business as the core of the Bank is quite understandable. What the Bank has nicely done is identifying complementary diversification opportunities based on market surveys and then piloting them. I am happy to share that the Bank has clocked initial success in all these niche opportunity areas - including SME lending through Loan Against Property and Loan Against Gold as well as Institutional Finance. Over the next 2 quarters we are seeking to introduce Affordable Housing Finance and Two Wheeler Loans to complete the kitty of products to suit the lifecycle needs of the core customer segment of the Bank. That is quite a rapid build-up, and I believe that many of these products will become very big in the future.

Tightening compliance and regulatory framework

In a country where shortcuts are the norm and violation of the law may be viewed as flexible, it is the belief of the Bank that only 'values' can create value. The key custodians of the safety, scalability and stature of the Bank - shareholders, directors and Management Team - have an unwavering commitment to building a value-based organization, and in the process, laying the foundation for a Bank that can create economic and social value for the remaining stakeholders.

It is heartening to highlight that when I receive a monthly activity report of the Bank, it begins with

action taken report and quickly followed by a review of risks and mitigation actions, regulatory asks and adherence steps, and a compliance report. The control and compliance matters form a significant part of the report which clearly demonstrates the emphasis placed on the same.

Creating a winning team

I am most proud to state that the present Management Team of the Bank is extremely passionate and committed to building a truly 'world class' Bank in letter and in spirit. Truly, the team is as good as it gets! The DNA of the institution is commercial success combined with social purpose. This double bottom-

A standout point of the year has been the handling of the aftereffects of currency demonetization in the business environment.

line approach is heartening to see and gives all stakeholders a wider perspective and purpose of building and running an institution.

Moreover, for the team, both 'winning' and 'how to win', The desire to deliver solid performance month on month is matched by a clear focus on doing it the right way - this has emerged as a hallmark of the team and I am very proud of it.

Let me state that Fincare will always be driven by a strong value-oriented culture - Be Fair, Be Innovative, Be Nimble, Be Collaborative, Be Accountable, be Resolute and be

Excellent - and in The Fincare Way, we will find our true calling and success.

My sincere thanks to the board members who have, individually as well as collectively, contributed with their considerable wisdom and experience immensely to this journey.

On behalf of the board, I take this opportunity to thank our investors, our committed and passionate 'Fincarers', our vendors, and all other partners who got associated with the Bank on this journey.

I look forward to working with you and having an association of mutual pride and enduring joy.

Thank you.

Pramod Kabra,
Chairman

MD & CEO's Message



“

It is heartening to note that the Bank's transition from license to commencement has been the fastest in the industry.

”

It is said that the journey of a thousand miles begins with the first step.

At Fincare Small Finance Bank, journey 2.0 has just begun! Since 2007, the journey of the Bank as a Microfinance Institution was one of balancing commercial success, with social and economic progress at the base of pyramid. That core has not changed much in the transition. In Financial Year 2017-18, the Bank has completed the first financial year of its operations as a 'Rurban' focused Institution, with a harmonious balance between the core Microloans business, new product lines catering to the credit needs of individuals and micro enterprises and a completely new deposit franchise. This transformation has been the defining theme of the year. Capital re-structuring, IT system adoption and migration and organizational change management, among others have been the underlying action areas.

This year, the Bank has been on a steep learning curve. Highlights of a few things which have gone well during the year are enumerated here.

Successful bank transformation

It is heartening to note that the Bank's transition from license to commencement has been the fastest in the industry. Among other actions, the Bank's funding position was streamlined by mobilising bulk deposits, Inter Bank Participatory Certificates (IBPC), securitisation and refinancing. The Bank has put in place and stabilized a Microloans system during the year.

Successful demonetization impact absorption

Despite a high initial Portfolio at Risk position (PAR) resulting from demonetization exercise of last year, the Bank mitigated the losses and delivered 60% growth in Assets Under Management (AUM). The Bank's loan disbursement run rate

peaked at ₹ 300 Crore in Mar 2018, signifying a well-oiled engine comprising of people, process and technology. By the end of the year, the Bank achieved collection efficiency of 98.8% and put all asset quality indicators on track.

Superior digital engine

In a phased manner, the Bank achieved fully tab based sourcing across all retail products. The Bank completed the rollout of m-Care, the Microloans origination application, as well as LAP D.Lite, the LAP origination application, at 100% of its locations. During the year, the bank launched 101 - an Online Digital Account, among the first few SFBs to tread that path so early in its lifecycle. Also, the Bank introduced key payment systems and digital banking solutions. Overall, the Bank demonstrated its robust digital ramp up capability.

Smart diversification

The Bank has always had a strong product diversification agenda, both

as growth drivers and as risk mitigants. During the financial year, the Bank scaled up Loan Against Property (LAP), launched and stabilised the Institutional Finance and Loan Against Gold businesses, and in the process achieved Non - Microloans book of 13% of overall portfolio. The bank also initiated its Microloans customers to savings and adopting an assisted savings approach, helped such customers get initiated to the benefits of a larger savings and credit discipline.

Integrated functional support

The financial year was about putting regulatory reporting in place, defining policies on all aspects of operations, and setting up a call center, in fact two toll free in-house, multilingual call centers! The Bank also worked on articulating its 'SmartBanking' positioning and appointed Chess Grandmaster Viswanathan Anand as its brand ambassador. On the softer aspects, the Bank rolled out an initiative to train its entire Rural Microloans Team on the retail banking aspects of business. The Leadership Team spent time with mid-senior Management Teams in this phase, coaching and communicating the new paradigm of the Bank, and in turn helping accelerate the change. Of course, like every other journey, the Bank could have done a few things better or perhaps different. For instance, asset growth could have been higher, diversification of assets could be at better scale and the deposit franchise could have expanded faster. The bank is focussed on correcting our trajectory in these areas in the subsequent period. I believe in the team's learning agility, personal ownership and a winning attitude, and am fairly confident that the

gaps will be resolved during the following year.

The Bank entered the business of banking with adequate acquired domain knowledge, but little actual operational experience. Under these circumstances, the Bank's Management Team is fully cognizant of the many beliefs and concerns prevailing in the banking circles. Let me share some of the concerns encountered in this first leg of our

The Bank has always had a strong product diversification agenda, both as growth drivers and as risk mitigants.

journey. By putting these concerns in perspective, the Bank has refined its view of the industry, role within this ecosystem, and relationship with peers.

Concern 1

SFBs will try and compete with the Big private and public sector Banks

First and foremost, the small finance banks cannot compete with the large banks. Period! In the current frame, all SFBs put together, require a deposit base of the order of ₹ 50,000 Crore. The large banks together, command a deposit of ₹ 1.2 Lakh Crore. So, where is the comparison? There is enough for everyone to drink from the same pond! In fact, as part of the same ecosystem, SFBs are in a position to complement the large banks. Size vis-à-vis agility, urban vis-à-vis rural and semi-urban presence, large entrenched systems vis-à-vis new-age nimble systems, large branch

network vis-à-vis last mile distribution reach, customer cross sell vis-à-vis low-cost new acquisition model. The Bank had a Business Correspondents (BC) relationship with 4 large Banks during its NBFC-MFI journey and, working in tandem on customer lifecycle need fulfilment, this was a win-win-win play. Banks play on high-cost physical branches, while small finance banks have the ability to operate small branches smartly with lower CapEx and higher efficiency. A large part of our customer base still believes in branch banking, and requires an assisted model in order to enjoy the convenience of digital. In this regard, the Bank is gearing itself for a combination of right physical network clubbed with right digital backbone, as the path to 'SmartBanking'.

Concern 2

Raising deposits will be a herculean task for SFBs

Sure, attracting deposits is not an easy one. Customers have to trust you with their money, they need to see a fair and attractive value proposition and they need to have a positive opinion of your stability and service quality. Having recognized that, it is not an impossible, herculean task. Fincare Small Finance Bank has gained a strong foothold in the deposits market by offering attractive interest rates on deposits, and establishing a credible 'doorstep' positioning with the target segment. The online product stack of the Bank has also been received well by the market. The Bank crossed ₹ 700 Crore deposit milestone in Mar 2018 (₹ 1,100 Crore by Aug 2018), so one can claim reasonable progress in this domain.

Concern 3

Technology rollout will bleed SFBs

Technology is expensive if one relies on the big, branded providers who charge a premium. An alternative path, the one that some of the new age banks such as Fincare Small Finance Bank has adopted, is the unbundled approach, working with a set of niche technology providers who are nimble, flexible, hungry for business. For the Bank, such partnerships have helped acquire technology solutions with nearly same efficiency and ease of use, and yet at a cost which is a fraction of what it may have paid to one of the 'one-stop shop' players. As a matter of fact, after the first implementation was complete, the outcomes on all counts were a pleasant surprise to all of us. Today, the Bank is extremely proud to deploy this technology extensively for onboarding small customers without the burden of costs being loaded to them. As a matter of fact, technology adoption is very deep across all business verticals.

In a nutshell, the Bank has brought rigor, domain understanding,

intellect and experience to bear in tackling each of these concerns.

Fincare Small Finance Bank has gained a strong foothold in the deposits market by offering attractive interest rates on deposits, and establishing a credible 'doorstep' positioning with the target segment.

Together, the stakeholders have weathered the first year of operations, and together we will continue on the journey of the thousand proverbial miles!

I take this opportunity to thank our customers, directors, shareholders, associates and partners, and colleagues, the Fincare family for their unstinting support in making this journey a collaborative success.

We look forward to another year of doing more of inclusive finance, expanding the need-based product basket, remaining compliant, being a passionate and friendly workplace and overall creating a well-run and well-respected Bank!

Thank you.

Rajeev Yadav,
MD & CEO

STRONG CORPORATE GOVERNANCE

Board of Directors



Pramod Kabra
Chairman

Partner, True North



Rajeev Yadav
Managing Director

MD & CEO, Fincare SFB



Sameer Nanavati
Director

Founder, Disha Microfin



Ravindran A. L.
Nominee Director

General Manager, SIDBI



Alok Prasad
Independent Director

Former CEO, MFIN



Sunil Gulati
Independent Director

Former CRO, RBL Bank, Yes Bank



Susan Thomas
Independent Director

Faculty at IGIDR; Economist



Varun Sabhlok
Independent Director

Formerly, Citibank, PayPal



Vinay Baijal
Independent Director

Sr. Advisor, KPMG
Former CGM, RBI



Fincare SFB Board composed of industry stalwarts and veterans with rich experience in banking, financial inclusion, rural economy and regulatory matters.

Business Management Team



Rajeev Yadav
MD & CEO



Ashish Misra
Chief Operating Officer
Retail Banking



Deepabh Jain
Chief Operating Officer
Mortgages



Dennies Verghees
National Sales Manager - LAP*



Kishore Mangalvedhe
Chief Operating Officer
Rural Banking - South



Mahender Chawla
Chief Operating Officer
Branch Operations & Loans Against Gold



Prakash Sundaram
Chief Strategy & Digital
Innovation Officer



Ravish Chandra
Chief Operating Officer
Rural Banking - West



Soham Shukla
Chief Operating Officer
Rural Banking
Co-Founder - Disha Microfin



Suresh Krishnamurthy
Chief Operating Officer
Retail Banking - South

*Joined in Aug 2018

Functional Management Team



Chandar Rao
Chief Technology Officer



Keyur Doshi
Chief Financial Officer
Co-Founder - Disha Microfin



Pankaj Gulati
Chief People Officer



Raghavendra Rao
Head - Compliance



Rakesh Das
Head - Credit and
Field Monitoring



Venkata Jayaraman
Acting Chief Risk Officer** &
Chief Operating Officer - Central Operations

** w.e.f. Sept 2018

OUR NETWORK



Microbanking outlets - **Gati**

Erstwhile Microfinance offices located at Taluk headquarters and converted to banking outlets in FY 18. These outlets, focused largely on Microloans customers, offer primarily Microloans and Loans Against Gold, as well as basic banking services such as Account Opening, Cash Deposits and Withdrawals



Basic-banking outlets - **Pragati**

Erstwhile Microfinance offices typically located at Taluk/District headquarters, and converted to with banking outlets with upgraded infrastructure. These outlets, focused on both existing and new to bank customers, offer Microloans, Loans Against Property, Loans Against Gold, Savings Accounts, Current Accounts, Fixed Deposits and other banking services.



Full service banking outlets - **Samruddhi**

New, full service banking outlets located at commercial hubs in Tier-1/metro locations, operationalized post bank commencement. These outlets, focused largely on new to bank customers, offer a full range of banking products and services and are equipped with cash recycler machines.



Agency banking outlets - **Express**

Business Correspondent outlets providing last mile reach, through multiple storefronts, set up from July 2018. These outlets, targeted at new to bank customers from lower income groups, in unbanked/ underbanked rural centres, offer basic banking services.

BANKING OUTLETS **498**

LOCATIONS

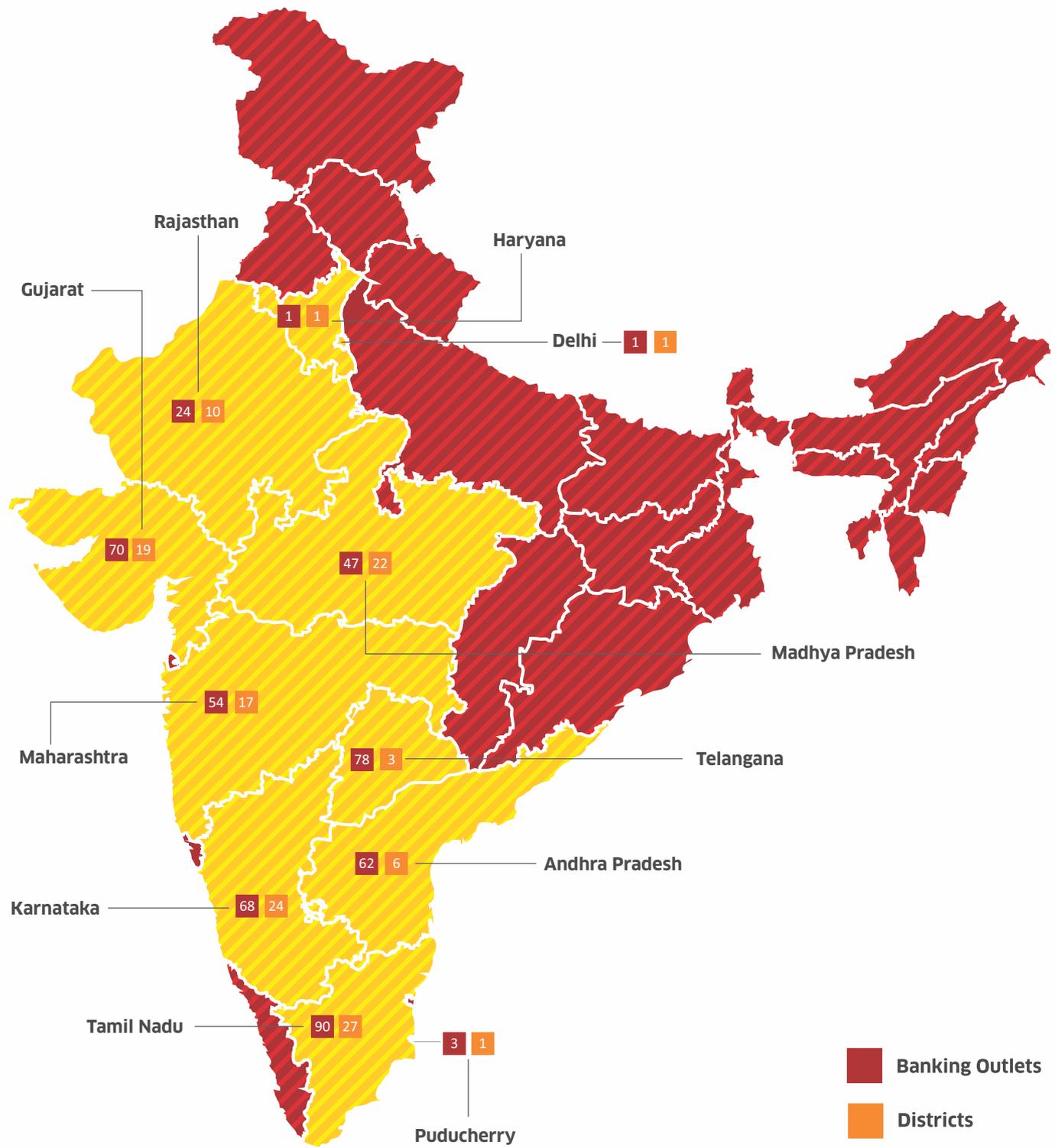
10 States, 1 Union Territory

SERVING

73,500+ villages across

130 districts

As of Aug 2018



OUR PRODUCT PORTFOLIO

At Fincare Small Finance Bank, we aim to transform banking by making our products simple, processes automated and convenient. We offer diversified asset and liability products to meet our customers needs.



Our Loan Products

Microloans

Loans of ticket size ₹ **15,000** to ₹ **45,000** for a tenure of 24 months, targeted at women customers from low income rural households for income generation purposes.



FY18 highlights

₹ **1,606** Crore disbursed to over 6 Lakh customers with outstanding AUM of ₹ **1,817** Crore

Loans Against Property

Loans of ticket size ₹ **1,50,000** to ₹ **50,00,000** for a tenure of 36-120 months, backed by self-occupied residential property and targeted at micro and small business owners in semi-urban and urban markets for business expansion, asset purchase and debt consolidation.



FY18 highlights

₹ **92** Crore disbursed to ~**1,600** customers with outstanding AUM of ₹ **125** Crore

Our Deposit Products

Loan Against Gold

Loans of ticket size ₹ 5,000 to ₹ 25,00,000 for a tenure of 3-24 months given to Microenterprises and self-employed individuals in semi-urban and urban markets, to meet short-term liquidity requirements



FY18 highlights

₹ 42 Crore disbursed, across 6,340 loans with outstanding AUM of ₹ 20 Crore

Savings Account

Savings Accounts for retail mid and affluent segments, small businesses, TASC segment and microloans customers with interest rates of 6% p.a. for balances up to ₹ 1 Lakh and 7% p.a. for balances over ₹ 1 Lakh. Interest paid monthly.



Retail Term Deposits

Term Deposits of ticket size ₹ 5,000 to ₹ 1 Crore targeted at retail mid and affluent customers, offering interest rates of up to 9% p.a. with additional 0.5% for senior citizens. Interest may be paid on a monthly/quarterly basis or reinvested.



Institutional Finance

Loans of ticket size ₹ 1 Crore to ₹ 15 Crore for a tenure of 6-36 months, backed by the hypothecation of receivables, and targeted at NBFCs, MFIs, and MSMEs for onward lending to their clients.



FY18 highlights

₹ 185 Crore disbursed, with outstanding AUM of ₹ 160.1 Crore

101 Savings Account

Online Savings Account targeted at the digitally savvy, High Earner Not Rich Yet (HENRY) segment, with interest rates of 6% p.a. for balances



up to ₹ 1 Lakh and 7% p.a. for balances above ₹ 1 Lakh; Two variants - 101 First and 101 Priority. Interest paid monthly.

Institutional Deposits

Term Deposits with ticket size over ₹ 1 Crore, targeted at corporates, institutional and high net worth individual investors,



offering interest rates of up to 9% p.a. Interest may be paid on a monthly/quarterly basis or reinvested.





Microloans



- Microloans have been the core offering of Fincare, earlier as an NBFC-MFI, and now as a bank. As of 31st Mar 2018, Microloans constituted 87% of the bank's gross loan portfolio
- This product is targeted at women borrowers from low income households in rural markets under a group lending model for income generation purposes
- The Bank successfully navigated the impact of demonetization and ensured that the portfolio quality returned to the industry benchmark of 99.9% collection efficiency in the Microloans portfolio
- During the year, the Bank rolled out m-Care, the tab based loan origination system for Microloans, across all locations, following successful pilots in

FY17. The Bank's loan origination system is linked real-time with UIDAI and credit bureaus, helping reduce turnaround time to disbursement from 10-12 days earlier to 5 days at present

The Bank disbursed over 6 Lakh loans amounting to ₹ 1,606 Crore during the year, with an outstanding loan book of ₹ 1,817 Crore on 31st Mar 2018

- In Mar 2018, the Bank initiated the cashless disbursements of Microloans to Savings Accounts of customers

- During FY18, the Bank also began the process of migrating the data of Microloans customers to the core banking system
- As on 31st Mar 2018, Microloans were offered in 287 banking outlets across Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Puducherry
- **Fincare differentiators**
 - **Deep network in rural areas**
 - **Instant credit decisions and quick turnaround time**
 - **Paperless loan origination**
 - **Cashless disbursements**

Loans Against Property



- Loan Against Property is the Bank's leading secured product offering with an aim of empowering the small retailers, traders, manufacturers and other MSME entities in service sector to fulfill their financial needs
- Loan against property leverages the wide distribution network of the Bank's existing Retail branches and Microfinance hubs and is present at nearly 100 locations across 5 states and 1 union territory
- These loans are also customized as per customer requirement and can be availed as Term Loan or Overdraft limit facility
- The entire loan sourcing and fulfillment process is enabled by a paperless and fully digital Tab Banking solution enabling customer convenience and superior turn-around time
- The Bank has put in place strong credit processes, supported by a Field Collection Team to ensure very low NPAs in the portfolio
- The Bank aims to expand its presence to new towns and cities in existing locations and also enter new geographies during the new financial year
- The Bank also plans to expand its customer segment by launching loans of ₹ 25-50 Lakh ticket size. This will help the bank to deepen its presence in existing locations and help achieve operational efficiencies

During the Financial Year 2017-18, Bank disbursed a total of 1,598 Loans amounting to ₹ 92 Crore and its total loan portfolio grew by ~ 125% to reach ₹ 125 Crore.

Loan Against Gold



- Loan Against Gold was launched in Apr 2017, with the intent of expanding the suite of products available to the Bank's customers and leveraging the wide distribution network while also enhancing the secured mix of the Bank's loans portfolio
- These loans are targeted at Microenterprises, small businessmen, traders, and the salaried segment, to meet their short-term funds requirement
- The Bank also offers this product as a cross sell to existing Rural Microloan customers on an EMI model with doorstep collections
- The Bank has implemented paperless origination through a Tab Banking solution with Aadhaar based e-KYC
- As on 31st Mar 2018, the offering was available at 60 banking outlets across Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Tamil Nadu
- The Bank's strong valuation framework, audit checks and tight controls have ensured zero NPAs in the portfolio
- **Fincare differentiators**
 - **Wide suite of products to suit different customer needs**
 - **Quick turnaround time through Tab Banking solution**
 - **Competitive interest rates**
 - **Superior back-end processes for rapid credit assessment**

During the year, the Bank disbursed 6340 loans amounting to ₹ 42 Crore with an outstanding loan book of ₹ 20 Crore on 31st Mar 2018.

Institutional Finance



- Institutional Finance was launched in Aug 2017, with an intent to diversify our assets portfolio
- These loans are targeted at NBFCs, NBFC-MFIs and corporates for further lending to retail customers

On an ongoing basis, Institutional Finance is expected to constitute 10% of the Bank's overall loan portfolio.

- With a 10 year legacy of being an NBFC-MFI, the Bank has been able to leverage unique insights in to the life cycle needs of customers to develop the right products
- These loans are backed by hypothecation of portfolio of receivables
- This product has helped the Bank to diversify into geographies where the Bank does not have a presence - West Bengal, Haryana, Delhi, Rajasthan, Chhattisgarh, Punjab, Jharkhand, Assam, Bihar, Madhya Pradesh and Uttar Pradesh
- The product has also helped the Bank achieve sectoral diversification with clients in SME financing, LAP and vehicle finance apart from Microfinance
- Further, the business has opened up avenues for cross-sell of other Bank products
- **Fincare differentiators**
 - **Quick turnaround from customer onboarding to final disbursement**
 - **Doorstep documentation**
 - **Attractive Interest Rates**
 - **Low processing fees**

The Bank has disbursed ₹ 185 Crore towards Institutional Finance during the year, and has an outstanding portfolio of ₹ 160.1 Crore as on 31st Mar 2018.

Customer speak



Our life changed the day we took our first loan from Fincare. Our condition has improved thanks to the money earned using that loan. We respected our part of the arrangement by making repayments on time and in turn, Fincare became a partner in our economic and social progress.

Manjulaben Vijaybhai Patel

Ambaliyara Village, Kheda, Gujarat

Manjulaben Patel decided to purchase a cow after taking a loan from Fincare in 2012. She used the first loan of ₹ 15,000 to purchase a cow. She was always prompt with her repayments and subsequently took a second loan as well. Thereafter, along with her husband, she took a

Microenterprise Loan of ₹ 65,000 once that was repaid, she availed the second loan of ₹ 1, 00,000. All loans have been deployed in the animal husbandry business and to leasing 5 bighas of agricultural land for farming. Currently, the family owns 3 Buffalo and 8 Cows. While Manjulaben

handles the milk business, her husband is involved in farming. Today, the family earns a monthly income of ₹ 45,000 and has managed to raise their standard of living in a respectable and earnest manner.



Things are looking up and I feel that there is no bigger pride than being able to contribute financially, in order to take care of own family. Thank You Fincare.

Dhanwanta Bai

Palari Village, Seoni, Madhya Pradesh

Dhanwanta Bai and her family depend on agriculture for their livelihood. While their monthly income of ₹ 7,000 was able to take care of their monthly expenses, there always was a strong desire to do more to make a better living. However, they were not able to figure out how. In 2016, they learnt

about the Fincare Joint Liability Group Program and the loan facility from others in the village and made up their mind to participate in it, in order to pursue the opportunity of better income and lifestyle. Starting with a loan of ₹ 25,000 for their small kirana store business, this

family has, since then, significantly achieved financial freedom with an additional monthly income of ₹ 6,000 that they make from this venture.

A Smart Transformation from Microfinance to Rural Banking



Fincare SFB, as a Bank, and in its earlier avatar as an NBFC- MFI, has been serving the credit needs of customers at the base of pyramid (BOP) for the last 11 years. As a 'Rural-first' institution, Fincare has

Fincare successfully transformed from a Microfinance entity to commence banking operations in Jul 2017.

been providing income-generating microloans to marginal and small farmers, farm laborers, Microentrepreneurs, dairy farmers, to name a few through the well-proven group lending model. However, this segment remains largely un-banked/under-banked, and has need for diverse financial solutions. The opportunity to cater to this large unmet need has been

the core driver of Fincare's transformation to a Small Finance Bank.

In the previous financial year, Fincare successfully transformed from a Microfinance entity to commence banking operations in Jul 2017. This has opened the doors for the Bank to offer need based products and services to the existing 1 million Microfinance customers and join the economic mainstream of the country. The Bank endeavors to offer a full range of financial products and services such as Loans, Deposits, including customized savings offerings, third party products such as Insurance and various payments solutions for the BOP segment. Towards this, the Bank has opened over 17,000 savings accounts for existing microloans customers, enabling cashless loan disbursements. The Bank also provides Debit Cards to customers that accord them the flexibility to transact and withdraw from their Bank account,

at their convenience. With this, the cashless/less-cash journey for this segment has taken wings. In this phase, the Bank also restructured the Microfinance vertical to Rural Banking to reflect the enhanced scale and scope of business that it oversees.

As a 'Rural-first' institution, Fincare has been providing income-generating Microloans to marginal and small farmers, farm laborers, microentrepreneurs, dairy farmers, to name a few through the well-proven group lending model.

Overcoming the challenge of demonetization

During the last financial year, the Bank witnessed a rise in delinquency on account of the currency demonetization exercise announced in Nov 2016. The Bank's Microloans portfolio in Maharashtra, Madhya Pradesh, pockets of Gujarat and north Karnataka were impacted. The rural banking team successfully weathered this challenge and managed to ensure a collection efficiency of 98.8% on the portfolio disbursed post Apr 2017. This has further risen to 99.73%, as of Jun 2018. The team recognized the desire of customers who had missed payments, and whose credit history had been impacted, to remain 'bankable', and worked closely with them.

Through extensive client education and support programmes, the team educated these customers on the importance of a good credit history, and helped them get back on track on loan repayments. 'Pragati', one of such initiatives undertaken by the Bank, received the MFIN Annual Award in the category of 'Customer Literacy and Capacity Building', in Jul 2018.

Digital-first origination and collection

Fincare, as a new age Digital-first Bank, has long recognized the need to use technology to reduce the cost of small value transactions at the base of pyramid and in turn to be able to pass the benefit of lower cost of operations to customers. In the last two years, m-Care, the Bank's loan origination system, has undergone several improvements.

Today, this is a state-of-the-art solution with real time integration with UIDAI for identity verification

Fincare, as a new age Digital-first Bank, has long recognized the need to use technology to reduce the cost of small value transactions at the base of pyramid and in turn to be able to pass the benefit of lower cost of operations to customers.

and credit bureaus for credit information. This has enabled the Bank to go paperless, reduce the loan turnaround time, empower Field Teams on the ground to take quick credit decisions and also educate customers on the importance of a good credit history. With this solution, an earlier loan TAT of 10-12 days has now been shortened to 5 days. Likewise, m-Collect, the Bank's tab-based collection application, is used by the Collections Teams to record client transactions, even in deep rural centers.

Focus on Risk and Field Monitoring

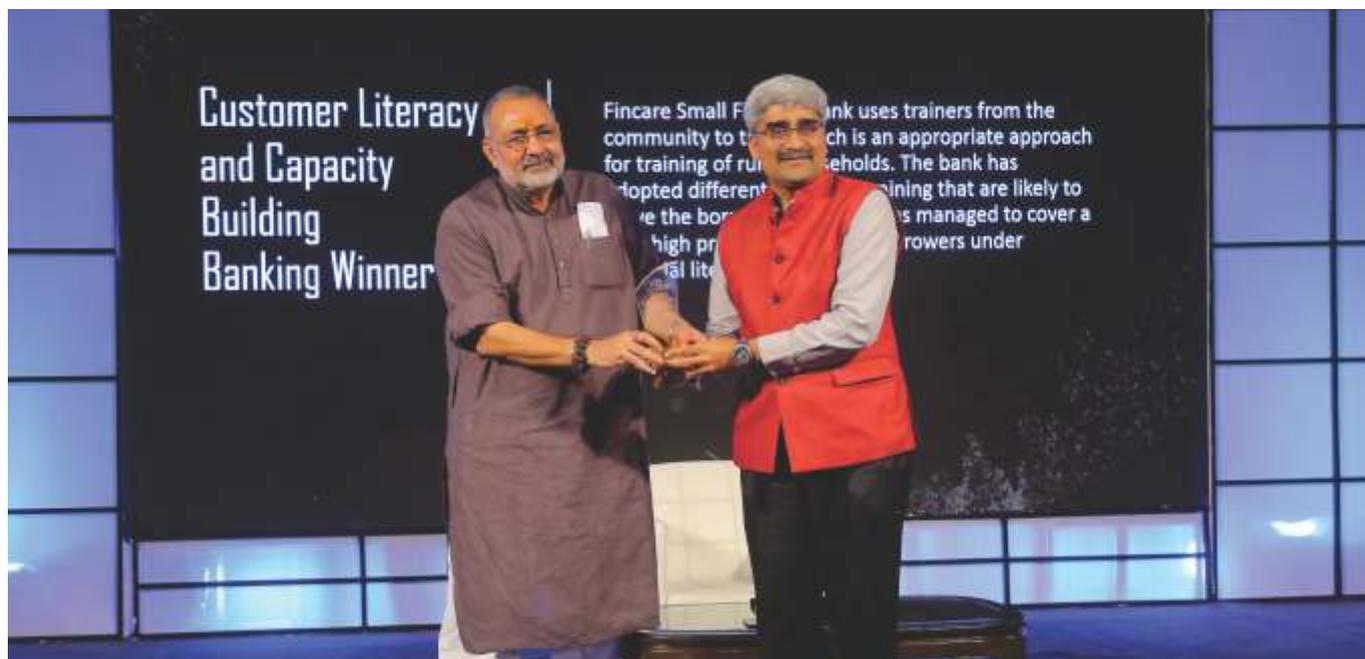
The Bank has also taken measures to strengthen Field Monitoring, Risk and Audit and adopted a Risk-based Supervision (RBS) framework. This

approach has helped the Bank to proactively identify early warning signals and methodically monitor and contain operating risk.

Transforming Microloans offices to banking outlets

In May 2017, the Reserve Bank of India issued revised guidelines on branch authorization, which allowed SFBs a time of three years from the date of commencement of business to convert their Microfinance offices to banking outlets. However, Fincare Small Finance Bank took the decision, and started to convert all the Microfinance offices to banking outlets within the first year of operations itself. Adopting a calibrated approach, the Bank has identified two formats of outlets - 'Gati' and 'Pragati'. The 'Gati' format outlets are Microbanking outlets that offer basic banking services and loan products, primarily to Microloans customers. The 'Pragati' format outlets are basic banking outlets with upgraded infrastructure, offering a wider suite of loan and deposit products and services to both existing and new to Bank customers. Over the next few quarters, the Bank intends to migrate all 'Gati' format outlets to 'Pragati' format. In order to ensure a seamless and comprehensive migration to banking, the Bank also rolled out an in-depth training initiative for the Rural Banking Team, conducted by banking experts.

"Pragati" - a short film on financial literacy



In May 2018, Fincare SFB was awarded at the **MFIN Annual Award** in the category of **'CUSTOMER LITERACY & CAPACITY BUILDING'** by Microfinance Institutions Network.



Objective

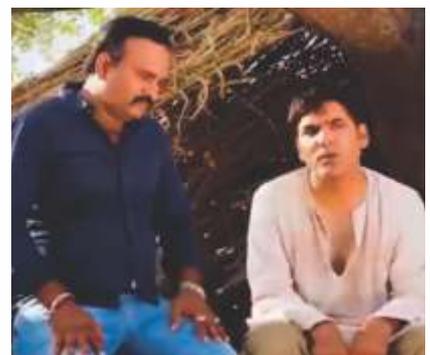
To enhance awareness about digital banking, need for a good credit history, financial discipline as well as of various financial instruments.

Considering this objective, Nukkad Natak, a street play was conceptualized and rolled out in rural areas, especially ones that were impacted due to demonetization. These street plays were enacted by Bank staff. In order to scale up the initiative, the play was adapted to an audio-visual format in the form of the movie 'Pragati', which also allowed for simultaneous screenings of the movie.

	No. of Screenings	No. of Beneficiaries
PRAGATI Movie	521	17,184
Nukkad Natak	24	2356
Total	545	19,540



This initiative garnered positive response and led to improvement in repayment track records with over 5,000 customers clearing their dues, and enhanced discipline in center meeting attendance.



Digital Banking – Smarter Way to Rurban Banking



Fincare Small Finance Bank has placed digital at the core of its business, rather than viewing digital as an alternate channel. As a new entrant into banking, Fincare has had the benefit of having no legacy of Paper-based Banking and has been able to leapfrog into the latest technology platforms to build a

For Fincare SFB our focus was to be digital, to grow digital.

Digital-first ecosystem for banking in rural and semi-urban areas. The Bank is therefore able to offer most Retail Banking products and services instantly, at the doorstep to the delight of customers, while also reducing overall cost of account opening and doing transactions, and improving sales staff productivity.

Elements of Digital-first approach to Banking

Designed for mass transactions

The Bank's digital systems and processes have been designed for mass transactions, with minimal human interactions and use of paper. For example, the Bank uses pre-generated card/cheque kits that can be handed over to customers instantly at the time of account-opening. This approach has helped the bank to facilitate rapid deployment of solutions, at low cost.

Designed for instant gratification

The Bank offers instant gratification, superior customer experience and a faster turnaround time through credit-algorithm based Loan Sanctions, Account Opening, Payments, Cash Deposit, Cash Withdrawal and Account Servicing that are all done instantly through the tab.

Designed for simplicity

The Bank has adopted a conscious approach of focusing on products, services and processes that meet the majority requirements of customers. This has enabled the Bank to implement straight through processes that allow for stable and robust solutions.

Designed for modular and lean IT set up

The Bank has successfully integrated with multiple payments systems, UIDAI for e-kyc and credit bureaus for real-time access to data through APIs (Application Programming Interface). This framework of API based system design has helped achieve a lean and modular IT setup, and allowed for faster rollout of solutions.

Designed for assisted digital service

For the Bank's target segment, assisted digital is an intermediate

step towards moving customers to a self-service mode. Through Tab-based Banking, where all the Bank's customer-facing employees are equipped with tabs, the Bank is able to provide banking services at the customer's doorstep, in an assisted digital mode, almost as if the customers were doing the transactions themselves. This includes services such as Account

Opening, Cash Deposit and Withdrawal, Funds Transfers Based on NEFT, RTGS and IMPS, issuing of instant Debit Cards, and fulfilling service requests.

Designed for digital focus

The Bank has retained core digital capabilities such as market scanning, UX design, development and analytics in-house, to enable an

agile roll-out of products and processes. The Bank has a dedicated digital vertical, led by the Chief Digital Innovation Officer, with product managers responsible for management of all Digital Banking products and channels.

Building the Fincare Digital Banking Ecosystem

- Customer self-service through digital channels - Internet Banking, Mobile Banking and Website



- Assisted service by front line staff through Tab-based solutions
 - Application for Savings Account and Fixed Deposits Opening and Servicing, and origination of Loan Against Gold - SmartBank
 - Application for origination of Microloans - m-Care
 - Application for origination of Loan Against Property - LAP-D.Lite
 - Application for collection of Microloans- m-Collect

- Mobile-based application for Fraud Risk Management - FRMS
- Aadhaar OTP-based Instant Savings Account opening through website - 101 accounts
- Full payment stack including NEFT, RTGS, IMPS, Debit Cards,



Bill Pay, NACH and e-commerce, across all digital channels

- Instant algorithm-based credit decisioning, Aadhaar based e-KYC and real time integration with credit bureaus
- Digital tools for employees
 - Cross-sell application

- BI and Analytics platform for decision making and management by exception
- HRMS mobile application
- Employee biometric attendance
- Helpdesk tool

Through tab-based banking, where all the Bank's customer-facing employees are equipped with tabs, the Bank is able to provide banking services at the customer's doorstep, in an assisted digital mode, almost as if the customers were doing the transactions themselves.

Key digital initiatives



LAP D.Lite

In Sep 2017, The Bank rolled out LAP D.Lite, a tab-based solution for paperless loan origination and underwriting of Loans against Property. This application, developed entirely in-house, is integrated with UIDAI for Aadhaar based e-KYC, credit bureaus such as CIBIL and CRIF High Mark as well as with the GPS API to enable instantaneous e-KYC and credit profiling of the customer. For quick credit assessment of first time borrowers with no credit history, no income tax returns, and no business transaction receipts, the application does algorithm-based scoring. This scoring is based on tree-based dynamic questions tailored to the business type and lifestyle of the customer, as well as questions around income proxies. This technology has helped the Bank deliver faster turnaround time from lead generation to disbursement, leading to customer delight and improved employee productivity. Further, the Bank has been able to gain better control on field operations (e.g. through GPS tagging) and conduct centralized audit. By 31st Dec, 2017 this solution was deployed successfully in all banking outlets that offer Loans against

Property, leading to 100% tab based sourcing.

m-Care

Over the past few years, the Bank has embarked on an endeavor to automate the process of Microloan origination, in order to address some of the operational issues in the conventional process, such as disbursement turnaround time, KYC authentication, challenges in uniform implementation of Standard Operating Procedures (SOP) and high cost due to paper-based, manual sourcing. During this financial year, the Bank has successfully rolled out m-Care, an in-house tablet-based Microloan origination application that addresses these issues, across all banking outlets offering Microloans. The solution has led to simplification of the customer onboarding process, instant loan approval and improvement in disbursement turnaround time to under 5 days, leading to overall customer delight. Besides, the solution delivers on the promise of paperless sourcing leading to lower operations cost, prevention of ghost loans as a result of Aadhaar e-kyc based enrolment and aids in rapid scaling of the business. The web version of the solution includes features of loan parametrization, report generation etc. This application is fully and seamlessly integrated with the Bank's core banking system.

SmartBank

An instant, paperless banking experience for customers was central to the idea of designing a tab-based application for all Retail Banking products and services. This innovative solution - SmartBank,

supports instant, paperless opening of Savings Accounts, Minor Accounts, Joint Savings Account for individuals; Fixed Deposits - both linked to a Savings Account and standalone, Current Account for individuals as well as account for Loan Against Gold. Customers can experience instant activation of pre-generated Debit Cards, and start transacting through the Debit Card, internet and Mobile Banking within 20 minutes of opening the account. Further, transactions such as Cash Deposit, Cash Withdrawal, Funds Transfer via NEFT/RTGS/IMPS, and service requests such as updation of Customer Details, Account Details etc. can be fulfilled instantly, in a paperless manner, at the customer's doorstep.

101 - Digital Savings Account

The Bank launched its first digital product 101, an Online Savings Account, in Feb 2018, joining a select group of Banks in the country to offer a Digital Savings Account using Aadhaar OTP based e-KYC. The new age Digital Bank Account allows customers to open Bank Accounts instantly through the Fincare Bank website/mobile app anytime, anywhere, with an added option to open Fixed Deposits online. Customers have a live chat option throughout the process of exploring the website and opening the account, allowing for a seamless experience. Targeted at digitally savvy customers, Digital Savings Accounts are also relevant in the context of growing mobile and internet penetration that enables greater access, allowing opening of accounts online, independent of branch presence or branch timings.

Ahead with smart technology



IT has played a significant role in the process of operationalizing the Bank during the year 2017-18. The Bank signed up with FIS, a \$10 Billion IT company and a global leader in Financial services technologies, for its technology

Bank is completely focused on technology adoption and digitization to make banking convenient for all.

ecosystem comprising Core Banking Solution plus Tab, Mobile and Internet Banking features. The Bank has also adopted industry best practices to deploy the solution cost effectively and in a realistic time frame that is aligned with the overall business strategy.

During the year, the Bank implemented the Core Banking

Solution along with tab-based front-end, Mobile and internet banking features for ease of customer operations. It also stabilized operations for multiple variants of liability and loan products in production apart from the entire General Ledger system. Technology is helping assimilate various operations, use data and analytics to chart customer behaviour, monitor trends and introduce custom designed products for various customer segments. In addition, m-Care, developed in house, is a Fintech initiative towards ease of operations for financial inclusion of base of pyramid customers using a tab-based version that is seamlessly integrated with the Core Banking System across all Microbanking outlets. The tab solution includes customer on-boarding through e-KYC (authenticated by UIDAI), automated and instant loan underwriting through integration with credit bureaus leading to instant loan approval and customer delight.

During the year, core IT functionalities of the Bank have been operationalized. All Samruddhi format banking outlets are operational with Cash Recyclers with full functionalities. Payment Gateways such as NEFT, RTGS, IMPS have been integrated and stabilized for unified operations. The Anti-Money Laundering application has been operational and integrated with Core Banking. Besides, the Bank has started booking new Microloans in the Core Banking System at select locations during the year - this has since been rolled out across the Bank. Further, various systems such as CRM, HRMS, Operations Risk, ALM, Credit Risk, Procure to Pay etc. are also under various stages of implementation. All applications are backed by on-demand infrastructure hosted at a secure and exclusive Data Centre using state of art technology with real time Disaster Recovery (DR) synchronization at another site.

Customer speak



I am very happy by the way things are and I feel proud that, with help from Fincare, a better future lays ahead of us. There is nothing like being financially independent.

Vijayalakshmi

Bethamangala Village, Kolar, Karnataka

Vijayalakshmi belongs a family of three. She got widowed a few years ago. Life was not easy since monthly income was sometimes as little as ₹ 2, 000. In 2011, she became a member of Fincare in her village and availed a loan of ₹ 15, 000 to start a small business of selling bangles. She

would go around many villages to sell her ware. When she got the third cycle loan of ₹ 30, 000, she decided to expand her small business, so she rented a place in Bethamangala, where she started selling daily home needs household items. Her monthly income started to

increase and is now hovering around ₹ 6,000. She has managed to admit both her children to school. She takes pride in the fact that she and her children are not dependent on others as earlier, and can live a life of dignity.



Fincare provided me and others a strong financial support right at our doorstep, this has given me the confidence to run my business successfully over the years.

Koteswaramma

Pujarlahalli Village, Kolar, Karnataka

Koteswaramma belongs to a family of five members. Her husband works in a small hotel. She has two sons and one daughter. Her daughter got married a few years ago and her sons who live with her work as a PT instructor in a private school and as a welder

respectively. She took her first loan from Fincare three cycles ago - starting with ₹ 12,000. She has paid all instalments promptly without any delays. With the loan, she set up a food stall selling breakfast items and meals. The stall is doing fairly well now, it

generates her a daily income of ₹ 1,000. Backed by the revenue generated by her business, she has managed to construct her own house in the nearby town of KGF.

Fincare – The Making of a Smart Bank



During the year, the agenda of positioning the brand and engaging customers took center stage in the overall marketing efforts.

Given the Bank's strong rural quotient, the 'default' means to brand building in the segment includes a reasonably fair value proposition on the loan, timeliness of approval, friendly service and simple documentation. With this in place, word of mouth, either positive or negative, is a given. At the Bank, there is high degree of emphasis on this last mile engagement. Given the experience of over a decade in this space, the Bank enjoys a reasonably positive pull with clients and the local community. For this segment, the Bank built its marketing efforts on top of this strong base. An Audio-visual message, with an emphasis on financial literacy along with strengths of Fincare Small Finance Bank as a provider of complete life cycle financial needs, is part of the communication to all loan groups. Besides, all forms, files used in the

Rural Banking vertical are printed with appropriate messages on customer promise, quality commitment, range of products and services and toll free number for

During the year, the agenda of positioning the brand and engaging customers took center stage in the overall marketing efforts.

ease of recall. A 'gullak' jingle used in Center Meetings to enhance awareness about 'save first-spend later is better than spend first-save later' paradigm has been received very well. These simple steps have enabled the Bank to deepen the brand affinity and recall and also generate enquiries. The process of helping interested Rural Banking

clients open their Savings Bank Account and transacting through them is also underway. **During the year, more than 10,000 clients opened their Fincare Savings Account.** With this, the Bank has moved miles on the mainstreaming of its under-banked and un-banked clients. During the coming years, the Bank will proudly continue to play the role of a 'financial inclusion' catalyst among other initiatives.

The initial journey as a banking institution requires Fincare to redefine its brand philosophy to reflect the new target segment it would be serving, one of a 'mass-market retail' brand. From the marketing standpoint, the philosophy hinged on the belief that the banking experience can be trustworthy, convenient, win-win, and a means to the end goal of better financial health - this essence has been captured in a single word - **SmartBanking.** At the Bank, all customer communication has revolved around the 'SmartBanking'

positioning of the Bank. The **SmartBanking** proposition was amplified in the minds of the audience by the association with **Viswanathan Anand**, Chess Grandmaster and 5 time World Chess champion, perceived by most Indians as among the country's "Smartest". The Bank leveraged this

At the Bank, all customer communication has revolved around the 'SmartBanking' positioning of the bank.

association through #SmartMoves and #SmartBanking themed communication through collaterals and PR events.

Much like the process of institution building, brand building is also a journey, spread over multiple years. The three operating pillars of the Bank viz. building **Trust**, dealing with **Transparency**, and leveraging **Technology**, are also at play. Besides, use of standard colours, layout, look and feel, standard collaterals at banking outlets, has also helped bring consistency and uniformity in brand communication.

Recreating our identity and communication strategy

As part of the transformation elements, the Bank has created a new visual identity, positioning and customer value proposition, in-shop branding and built activation campaigns to support the launch of

branches as well as ongoing customer acquisition initiatives.



Landmark launch of the banking outlets

The launch of a banking outlet is clearly the most important day. In order to make the day a memorable one, a launch event, much like a wedding celebration in the house, is organized. This launch is an opportunity to connect and bond with the local community, and the



Influencers. During Financial Year 2018, the Bank launched 34 full service branches in multiple locations across the country and spread the idea of 'SmartBanking'. The launch is surrounded by marketing campaigns, launch event, road shows, PR outreach, kiosk campaigns and several customer - connect programs across various society welfare associations, in

order to raise brand salience.

Digital presence for community and customer outreach

The Bank's integrated social media outreach across multiple channels, viz. Facebook, LinkedIn, Twitter, Pinterest, Youtube, and Google Plus has immensely helped further the objectives of establishing credibility and trust in the Bank,



communicating products and services on offer, announcing schemes and promotional offers, and deepening employer branding, whilst building brand visibility and connect. During the last quarter of the financial year, the bank also started actively managing business pages across web search engines with the aim of managing credibility and reputation.



The Bank launched its official website **www.fincarebank.com** during the second half of the year. All the necessary compliances are in place. Tools such as SEM rush to analyse the website analysis, keywords backlinks, Google Analytics, to analyse website traffic reports, source of traffic, average time spend and Google Search Console, to identify popular keywords, webpage submission to improve traffic on website and ranking on search engine have been put in place during the year.

Activation through Below the Line campaigns



Activation campaigns using Below the Line Marketing, in order to reach rural and urban markets were successfully launched, helping enhance brand presence and generating leads for the businesses. These campaigns were built around

the catchment zone of each banking outlets and included padyatras, flyer distribution, door to door campaigns, festival-linked contests, community get-togethers, health and wellness campaigns etc.

OOH at strategic high visibility locations to spread brand imaging and improve recall



The Bank rolled out a multi-city Out of Home (OOH) campaign along with print publicity, FM radio campaigns, Advertorials, transit advertising as well. These campaigns helped spread awareness about the 'new' Bank as well as the SmartBanking proposition.

Our greatest draw

The greatest draw remained our 3D campaign based on the Bank's Customer Value Proposition – delightful deposit rates, convenience of Doorstep Banking, and superior

banking experience with Digital Banking. To this effect, creative content such as 'Your choice of time and day...Doorstep Banking coming your way', 'Go slow at the next turn...you are reaching the bank of higher return' and 'happy SmartBanking to you' have been used across physical and digital medium. This was a winning move, endearing us to customers seeking more from their Bank.

The greatest draw remained our 3D campaign based on the Bank's Customer Value Proposition – delightful deposit rates, convenience of Doorstep Banking, and superior banking experience with Digital Banking.



Grandmaster Viswanathan Anand has not only achieved tremendous success, but has sustained it over the years through sheer passion, purpose and perseverance. Anand is an inspiration to millions of Indians, and is a gold standard in his chosen domain. He is a perfect embodiment of smart thinking, resilience and an achievement mind set - qualities that resonate strongly with Fincare Small Finance Bank.

The Bank is proud to be associated with Grandmaster Viswanathan Anand as a Brand Ambassador on its SmartBanking journey.



INDIA'S FIRST
CHESS
GRANDMASTER

OVER
1,000
WINS

PADMA
VIBHUSHAN

ARJUNA
AWARD

RAJIV GANDHI
KHEL RATNA
AWARD

FIVE-TIME
WORLD CHESS
CHAMPION

Social Initiatives - Caring for the Communities We Work With



The mandate

Reach out to financially and socially excluded communities through health, education and welfare initiatives and thereby facilitate their social and economic progress.

At Fincare SFB, social initiatives go beyond regulatory compliance and are an expression of our genuine care for helping improve lives, environment, livelihood and health of the weaker section of our society.

Our CSR activities include

Health & hygiene

Medical camps such as eye care, general health, mother and child health, orthopedic, cardiac and diagnostics.

Livelihood promotion

Training on kitchen gardening, mushroom farming, fruit tree propagation, supply of free sewing machines to the differently abled, etc.

Literacy

Fincare Study Centers for after school study, financial literacy drives including nukkad natak/movie screening.

Community welfare

Relief activities such as distribution of groceries, construction material, cleanliness drives in affected areas.

Environmental protection

Safe water supply, pest control, sanitation and tree planting.

Our Social initiatives philosophy

- Treat social welfare as integral to business operations
- Ensure consistency and diversity of initiatives
- Build long-term connect with the community

Reach out to financially and socially excluded communities through health, education and welfare initiatives and thereby facilitate their social and economic progress.



General Medical Camp, Bangarupet

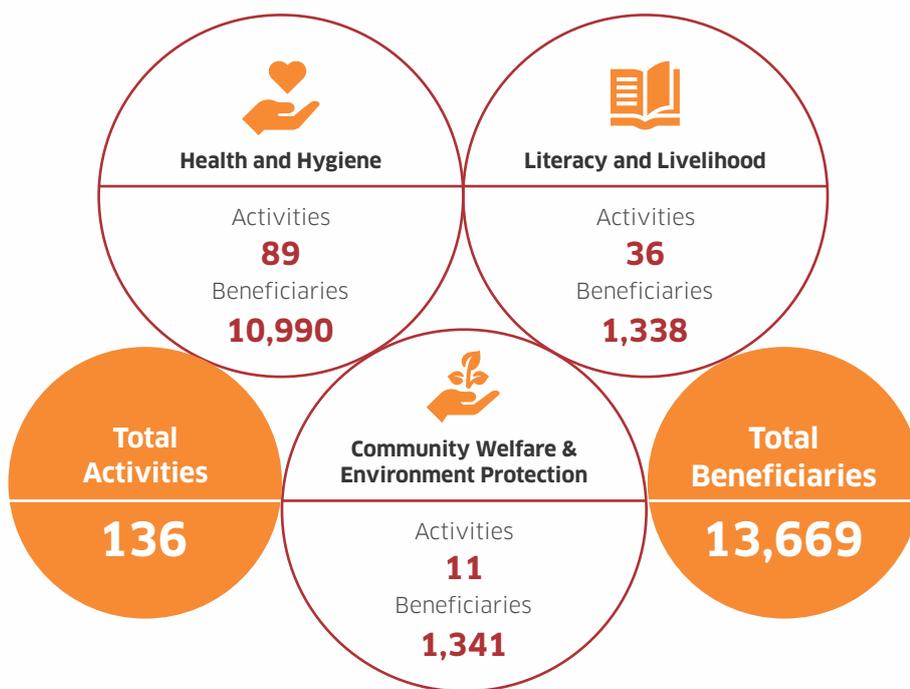


General Medical Camp, Belgaum



Grocery Distribution to Fire Accident Victims, Thirutharaipondi

Our journey through the year



Organic Fertilizer Distribution, Prantij



General Medical Camp, Humnabad



Eye Camp, Gingee



Child Education Program, Balasinor



General Medical Camp, Vaniyabadi

Human Capital - People are the Biggest Strength!



The Bank's promise to its people is a safe and friendly workplace, fairness and consistency in people practices, challenging and meaningful work, professional and ethical dealing with internal and external stakeholders and an opportunity to associate with a business which aspires for commercial success combined with social impact. An individual who is willing to bring a winning attitude, ownership and personal accountability and positive energy would find their true calling in this set-up.

During the year, the Bank's headcount increased from 2,912 to 4,357. The headcount is distributed between business functions, which comprise 76% and corporate functions which contribute the remaining 24%. From a role-focus perspective, 93% of the roles are field-oriented and only 7% are non-field oriented. The Bank is fairly young, quite literally! The average age at the Bank is 23 years. 70% of

colleagues are under 30 years of age. About 80 people are engaged in control, compliance and risk roles and entrusted with safeguarding the Bank's interest. The Leadership

During the year, the Bank's headcount increased from 2,912 to 4,357

Team, comprising 16 members collectively hold the responsibility of defining the strategy and laying the roadmap for respective functions. The Bank has a well-defined band-grade structure with seven levels. The Bank has a well laid and clearly communicated promotion criteria in place, under both normal track as well as fast track. ~ 240 promotions were made during the year. Women comprise 11% of the workforce, in areas where it is operationally suitable,

and 12% in mid to senior bands.

As observed in the broader financial services sector, attrition rate at frontline level during the year was ~ 38% p.a. High attrition in this layer is mainly due to the nature of work which involves extensive field travel, an early start to the day and overall levels of physical and mental rigour and discipline. Excluding the frontline staff in business verticals, the attrition rate is ~ 19% p.a. While longevity of people at all levels is desirable, the organization design of Rural Banking vertical helps insulate regular business from getting impacted due to departure of an employee. The Rural Banking business maintains adequate bench strength at the division level, to cushion the impact of attrition. The HR Team conducts HR sessions at each office, at least once every quarter and disseminates employment benefits, policies and practices, rewards and recognition programs, career progression

opportunities etc.

The Bank invests in enhancing knowledge and skills of people through training programs, both internal and external, business immersion and field visits. An experienced and dedicated internal training team of 20+ members is focused on imparting training. During the year, 1,000+ training sessions covering 4,000+ employees have been conducted across

The Bank is fairly young, quite literally! The average age at the Bank is 23 years. 70% of employees are under 30 years of age.

product, process, compliance as well as skill development. In addition, people in select control functions such as Risk, Treasury etc. are nominated and have participated in training programs organized by leading training organizations such as NIBM, CAB and CAFRAL. The Bank has also engaged the services of training providers such as Manipal, CRISIL for specialized training.

The Bank lays strong emphasis on people engagement and motivation. Initiatives that help enhance camaraderie, team bonding, are encouraged.

Rewards & recognition

In FY18, the Bank awarded 791 employees, i.e. 18% of its workforce,

for exemplary performance during the year Besides performance, the Bank lays emphasis on demonstration of team work, and going above and beyond duty in helping customers and colleagues. A 'thank you' campaign to encourage peer feedback was introduced during the year.

Annual get-together

"Sampark" the annual event, is a platform to recognize achievements and milestones of the year. Each year, this event is organized across the Bank. The Organizing Committee manages the entire event including logistics, stage performances and award distribution. The events are an opportunity to share an update on the Bank's progress and future plans, besides being a culture-building exercise. These events are also a showcase of talent across art forms such as music, dance and drama. In the year, the event was conducted across 8 hub locations to ensure 100% coverage with minimum disruption of regular work.

Sports & fitness

Sports is another way of bringing People together. The Fincare Cup, an internal cricket tournament, is a much awaited event and brings out a great deal of energy and competitive spirit among people.

The Bank has a full-fledged 'Marathon culture' and participation from all is encouraged. During the year, ~ 500 Fincare employees participated in at least one Marathon event, ranging from bSafal marathon, Indore Marathon, Pinkathon, Midnight Marathon, Goa River Marathon, Hill Marathon etc. across multiple cities. The entire

Leadership team along with select Board members participated in an International Marathon at Dubai in Jan 2018.

Health & wellness

Engagement also focusses on ensuring good health for its people. During the year, Annual Health camp and Eye check Camp were organized at the Corporate office. A special session on "Well Women" was conducted on International Women's day.

A healthy mix of work and play brings a noticeable increase in productivity - Yoga session on International Yoga Day, Chess tournament, Dart games, Treasure hunt and movie screening. Festival and National Day celebrations with full fervour, flash mobs, Children's Day, potluck lunch and rangoli competitions, all aimed at nurturing bonding, sense of belonging and a healthy respect for culture and values, are among the other activities dotting a busy engagement calendar of the year.



“Sampark” the annual employee event of Fincare

Cricket tournaments

Dart competition

The Bank lays strong emphasis on people engagement and motivation. Initiatives that help enhance camaraderie & team bonding are encouraged.



Christmas celebration



Republic day



Treasure hunt



An Annual Health camp and Eye Check Camp was organized for our employees.



Marathons are organised throughout the year to encourage employees to indulge in outdoor activities.



A Yoga session on International Yoga Day was held to promote healthy body and mind.



There is a great emphasis on employee engagement initiatives to help - employee satisfaction, team bonding, reward & recognition and employee outreach.



Thanks giving



Potluck lunch



Children's Day

Customer speak



I feel proud that my business is able to contribute to my family's income. Thanks to the group model of Fincare - it builds confidence amongst women, and now we are able to support each other as well. It feels like a family thanks to Fincare.

Selvi R

Krishnapuram Village, Tiruvannamalai, Tamil Nadu

Selvi was already in the bangles business, roaming across villages to sell her ware. This business requires a lot of hard work and handling material is also a difficult task. The business was not meeting her and her family's

expectations. In 2013, she became a part of Joint Liability Group promoted by Fincare and availed the first cycle loan of ₹ 15,000 for setting up a bangle store. With the second loan, she increased the stock. The bunk and additional stock

has provided her with the necessary support in running a revenue-generating, sustainable business.



We have been benefited on both financial and health fronts from our association with Fincare. It is a very emotional relationship to us and many families have achieved success, because of Fincare being part of our lives. We are happy to see the success of Fincare in our area. It feels like our own success as well.

Rani

Melvisharam Village, Vellore, Tamil Nadu

Rani and her family used to run a small kirana shop in their village. Her husband is partially handicapped and thus unable to do other work. Due to capital constraints, the money inflow from the business was little. As early as 2008, Rani became a part of Joint Liability Group program

promoted by Fincare and availed a first cycle loan of ₹ 8, 000. She used this money for adding some stock to their kirana shop. Now into her 8th cycle loan of ₹ 25,000, she has not only been able to sustain the kirana store but also started a rice trading business. For the past few years, the

income generated from the two businesses is steady and their lifestyle has improved. He husband is also a beneficiary of the CSR initiative of Fincare, as he had a cataract surgery done at Schieffelin Institute, Vellore as part of a CSR partnership program.

SmartBanking outlets



The new banking outlets set up during the year are a hallmark of intelligent setup and out of the box thinking. Some key aspects exemplify this approach.

Samruddhi format outlets

- Fincare's full-service banking outlets (Samruddhi format) are located primarily in tier 1 and metro markets, and cater primarily to new-to-bank retail customers
- Key products we offer through our outlets include Current/savings Accounts, Term Deposits, Loan Against Property, Loan Against Gold, and Safe Deposit Lockers.
- The Bank's focus is to penetrate deep into select local markets in the states where Fincare has traditionally been operating. In addition, through the Samruddhi format outlets, the Bank is establishing its active presence in the top cities in the country

- These outlets have a 3-zone structure – the Self Service Zone, the Transaction Zone, and the Back office Zone. All Samruddhi format outlets have a standard layout, and care has been taken



to ensure that they are open and private at the same time. They have been designed and executed by partners with the highest

quality standards with ISO certifications. The outlets combine modular furniture with an open ceiling finish to enhance the banking experience for customers

- These outlets range typically between 1,000-1,500 sq.ft. in size, to ensure tight control on capital and operating expenditure
- In addition to physical security, these outlets have technology based security solutions such as motion sensors and cameras for Remote Monitoring in order to safeguard against loss, theft and fraud. Branches are also equipped with smoke detectors
- Samruddhi format outlets are equipped with cash recycler machines that accept deposits and dispense cash, reducing the need for cash replenishment to once a week, from twice a week in case of regular ATMs

Gati & Pragati format outlets

- The Bank's Microbanking outlets (Gati) and basic-banking outlets (Pragati) are located primarily in Taluk/District Headquarters, and cater primarily to Microloans customers



- The Bank has also embarked on a drive to convert some of the Gati format outlets to basic banking outlets, called Pragati, at select locations. These are lean outlets requiring little incremental capital and operating expenditure. In



- In order to provide basic banking services, and to enhance the banking experience of microloans customers, the Bank has upgraded the infrastructure of all existing Microfinance offices to become Microbanking outlets (Gati format). This has been achieved ahead of the three year timeframe allowed for SFBs to align the banking network with the extant guidelines

addition to catering to the wider banking needs of Microloans customers, these outlets will cater to open market customers in their vicinity

- The Gati format outlets are typically 400-600 sq.ft. in size, while the Pragati format outlets are typically 600-800 sq.ft. in size

Centralized Processing Centre – the Smart Backbone



The core purpose of a Centralized Processing Centre (CPC) is to ensure standardization of processes in order to provide a uniform customer experience. The credo of this function is 'Go Digital, Enable Business, Create Value'. The CPC works to establish and standardize backend systems and processes in order to enhance customer experience in a seamless and sustainable manner. The unit handles the back end activities for the entire suite of assets and liabilities products and also supports completion of overall end of day activities with respect to financial and business operations. The Bank has adopted a multi-site CPC structure that helps in efficient coverage of operations distributed across multiple states. It also serves the "Business Continuity Plan" (BCP) objective of facilitating uninterrupted working of all critical processes.

Payment & Transaction Management System (PTM)

The Payment and Transaction Management unit ensures that the payment channels of the Bank function efficiently across different zones. The unit governs CTS, RTGS, NEFT and all electronic payments and ensures that all required compliances and customer expectations are met. Along with Treasury, the unit aids in effective movement of Bank funds.

Treasury Back Office (TBO)

The Treasury Back Office (TBO) ensures that balances related to CRR and SLR are maintained. The TBO also supports dealers and the treasury mid office in putting through the day to day transactions pertaining to Bank securities.

Deliverables Management

With a view to ensuring customer

delight through instant account activation, the Bank provides pre-generated kits (PGKs) with pre-printed Debit Cards and Cheque Books to new Savings Account

Our multi site call center handles both inbound and outbound calling in 7 languages and handle service requests and complaints within stipulated timelines.

customers. Based on the product preferences and projected business volumes, the banking outlets are stocked in advance with the required PGKs. At the time of account opening, the PGKs are

handed over to customers and activated instantly, enabling customers to transact on their accounts almost immediately. This initiative has also resulted in cost savings and improved controls.

Among other initiatives, the Bank uses the services of India Post, for delivery of customer collaterals such as personalized Debit Cards, PINs, Account Statements, FD advice etc. Given its reach, this has helped serve rural and semi-urban customers more efficiently, and improved the delivery time.

Customer service

A dedicated Customer Service Team is in place to ensure adherence to customer service standards, and quick response to queries and complaints. The Bank conducts regular customer service branch level meetings and standing committee meetings, and uses the customer feedback received from these meetings for making

improvement in product offerings, service quality and customer experience.

Contact centre

The Bank has a toll-free, multi-site Contact centre that handles both inbound and outbound calls and offers 7 language options. All centers are equipped to handle enquiries, service requests and complaints, within stipulated timelines. Call recordings are available for monitoring and quality control purposes. Interim helpdesk systems are in place to ensure that customer queries, requests and complaints can be tracked between different teams, so that a solution gets provided and closed loop with the customer. In FY18, the unit handled over 25,000 customer calls.

During the year, the CPC handled an enormous increase in volume of Microloans, up from 44,000+ applications in the month of Mar 2017 to 1,42,000+ applications in

Mar 2018. The overall application volume handled by the team went up from 5,70,000 to 9,30,000 during the year. The unit handled more than 8,00,000 credit bureau checks during the year, up 38% from previous year. The overall turnaround time for credit decisioning reduced from 6 days to 4 days. Since then, with the rollout of m-Care at 100% banking outlets offering Microloans, the application processing and decisioning has been entirely automated.

During the year, the CPC also built capacity and capability for handling additional products - Loan against Gold, Loan against property, Institutional Finance as well as liabilities. On the liabilities side, the function built the end-to-end capabilities for handling account Opening, Kit Generation, Cheque Book and Debit Card printing, and associated Core Banking Operations.

Risk, Compliance, Field Monitoring and Audit – Building Smart Controls

Risk Management

Risk Management is an inherent part of the core philosophy and working of the Bank. The Bank has set up an independent Risk Management function that is directly supervised by the Risk Management Committee

board approved policies pertaining to Market risk, investment and treasury, liquidity management through ALCO, pricing of deposits, approving of MCLR through ALCO, monitoring of regulatory and

dashboards on operational risk metrics and thresholds.

In addition, the Bank has formulated a Cyber Security & Information Risk Management Group, in line with the need for heightened information security in the banking sector.



of the Board (RMCB). In order to ensure proper functioning of the group, there is a segregation of Credit Risk, Market Risk and Operational Risk Management groups within the Risk function.

The Credit Risk Management Group is tasked with the implementation of board approved policies pertaining to credit risk, delegation of powers, formulating rating score cards for retail customers, compliance of regulatory and internal risk thresholds set out by RBI and Board, timely and accurate regulatory reporting, and publishing periodic dashboards on metrics and thresholds.

The Market Risk Management Group is tasked with the implementation of

internal liquidity thresholds, timely and accurate regulatory reporting and publishing periodic dashboards on liquidity risk metrics and thresholds.

The Operational risk management Group is tasked with the implementation of board approved policies on Operational Risk Management, new Product approvals through Product Approval Committee (PAC), Risk and Control Self-Assessment (RCSA) for various products and processes of the Bank, key control testing of high risk processes and sharing results with process owners for mitigation of risks, effective vendor/outsourcing management, timely and accurate regulatory reporting, and publishing periodic

Risk Management is an inherent part of the Fincare Small Finance Bank core philosophy and working.

The Cyber Security & Information Risk Management Group is tasked with the implementation of board approved policies on Cyber Security and Information Risk Management, effective data privacy and protection of customer information, robust security review of new and existing applications, continuous analysis of gaps to ensure that the Bank moves towards ISO 27001 over the next three years and implements Gopalakrishna Committee recommendations, timely and accurate regulatory reporting and publishing periodic dashboards on cyber security and information risk metrics and threshold.

Compliance

The Bank is committed to high standards of compliance to both regulatory and internal guidelines. This is critical to ensure that the overall business is conducted within the framework of legality, ethics and

banking operations.

The Bank, in keeping with its mandate to work smartly, has implemented an external application, the Knowledge Management Tool. The Compliance

The Compliance Department periodically apprises both the Bank's management as well as the Board of Directors on the status of compliance in the Bank.



integrity. The Bank has an independent Compliance Department that monitors observance to all statutory requirements, legislations and guidelines issued by various regulatory bodies, as well as to the Bank's internal policies and fair practices code. This includes specific areas such as KYC, prevention of money laundering, customer grievance redressal, fair treatment of customers among others. The Department also tracks ongoing adherence to licensing conditions and operating guidelines issued by the RBI.

During the year the Compliance Team facilitated the securing of several regulatory approvals required for commencement of

Department uses this tool to disseminate changes in regulatory guidelines by way of compliance alerts to employees on an ongoing basis and also conducts regular classroom and refresher sessions on compliance awareness. The Bank is in the process of implementing a Compliance Monitoring Tool - a safe and secure certification mechanism as well as internal compliance control system.

The department has set up a Core Management Group headed by the MD & CEO with key stakeholders from the Compliance, Risk, Finance, Credit and Audit Departments, with the mandate of ensuring timely submission of data in line with Risk Based Supervision requirements for Banks.

Fincare SFB is committed to achieve and maintain high standards in professional integrity, ethical conduct, and regulatory compliance.

Field Monitoring

Field Monitoring is an independent, objective assurance and risk identification activity designed to add value and improve the Microloans business the operations. The Bank has a well-established

which in turn helps validate the efficacy of laid down policies and procedures, and opens opportunities for continuous improvement.

During FY18, the Field Monitoring Team covered over 17,000



Field Monitoring and Control System in place that monitors adherence to policies, procedures and processes followed on the ground. It helps the Bank to accomplish its objectives by bringing a comprehensive, systematic, disciplined approach to anticipate, identify, arrange, manage and monitor the portfolio of business risks impacting the business, thereby improving the effectiveness of Risk Management and controls.

Field Monitoring has a 60+ member team with extensive on ground operational experience, and monitors 100% of the Microloans banking outlets during the year. This ensures that the Microloans business is conducted according to Standard Operating Procedures,

Microloans centers pre-disbursement, and over 65,000 centers post disbursement.

The Bank has a well-established Field Monitoring and Control System in place that monitors adherence to policies, procedures and processes followed on the ground.

Audit

At the Bank, Internal Audit is an independent appraisal function created with the objective of examining and evaluating the adequacy and effectiveness of the Bank's internal controls. In



accordance with RBI guidelines, Risk Based Audit implies that a lot of emphasis is placed on the internal auditor's role in mitigating risks. While focusing on effective Risk Management and controls, in addition to appropriate transaction testing, the risk based internal audit is tasked with not only offering suggestions for mitigating current risks but also anticipating areas of potential risks and playing an important role in protecting the Bank from various risks.

The Audit function has been structured in such a way as to ensure maximum alignment with the operating structure. The function focusses on Credit Audit, Business Audit, Branch Audit, Process Audit, Information Security Audit and

Concurrent Audit. Within this overall framework, Credit Audit covers audit of specific loan accounts, credit process, credit risk management. Business Audit covers audit of financials, treasury activities and

market risk management activities. Branch Audit covers all branch-level activities, processes and transactions. Process Audit covers Process/product Audit of all centralized activities, corporate management functions including operations risk and Compliance, Special Audits and Retail Banking Audits. Information Security Audit covers areas such as IT Management Processes, Applications, IT Infrastructure (Network/Operating System/Databases/Middleware) and project governance. Considering the areas where risks reside requiring close monitoring, Concurrent audits are in place for Central Processing Centers, Treasury and Loans Against Gold.

During the year, the team audited 10

Samruddhi format banking outlets. As regards business and business process audits, the team carried out audit of the Centralized Processing Center at multiple locations, treasury function, Corporate Social Responsibility processes and expenses, training processes and

The Audit function has been structured in such a way as to ensure maximum alignment with the operating structure.

expenses and HR-related financial expenses. As part of credit audit, the team conducted an audit of Loan Against Property (LAP) and MicroLoans Credit Processes. Also, the team commenced Information System (IS) audit in Apr 2018.

Customer speak



Sometimes people are afraid of getting a loan, but having experienced both financial gains as well as respect and standing in the community, I feel that this is a very positive and a meaningful way of making a living.

Mahawati

Gehrutala Village, Seoni, Madhya Pradesh

Mahawati and her family depended on agriculture for their livelihood. Meeting expenses was a struggle, as monthly income hovered around ₹ 6,000 or so. In 2016, Mahawati became a member of a Joint Liability Group in

her village and availed a loan of ₹ 25,000 to purchase a buffalo and get into the business of selling milk. Income has grown since, with an income level which is double of the 2016 levels. The family is very happy with the

decision to join the group and have encouraged many other women in the area to join the same.



Most people are willing to work hard and there are many small business ideas. But without enough money, these dreams usually remain unfulfilled. In our case, the group loan really changed our life and all credit for our successful business goes to Fincare.

Kesar Bai

Math Village, Khargone, Madhya Pradesh

Kesar Bai was a homemaker who lived with her husband. Her husband was working in a cycle repairing shop before marriage. The salary was low, and after marriage, he started working as a Labourer work to increase income. However, even after a full day of hard work, the income was a measly ₹ 6,000 per month, which was not sufficient to manage

household expenditure. In 2016, Kesar Bai heard about Fincare and realised the opportunity to take a loan for starting own business. She and her husband had set their eye on starting a cycle repair shop from a long time, but due to non-availability of capital, they were unable to. She joined a group and took a loan of ₹ 26, 000, their first capital for

the shop. However, this gave them the opportunity to be their own boss and enjoy a better return for the hard work put in. Their earnings have slowly and steadily gone up to ₹ 20,000 per month now and they are better positioned to fulfil their financial dreams.

— PRESENTING —

FINCARE SMALL FINANCE BANK GREAT RETURNS OPPORTUNITY

Get The 3D Advantage Fincare Deposits



DEFIANTLY HIGH DEPOSIT RATES

Select plans to give you higher returns



DOORSTEP DELIVERY

Transparent banking and instant account opening at your convenience, at your door



DIGITAL DNA

New-age banking solutions to help you achieve exponential growth momentum



STATUTORY REPORTS

Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)

To,
The Members,
Fincare Small Finance Bank Limited (“The Bank/The Company”)

Your Directors have pleasure in presenting the 23rd Annual Report of business and operations of the Bank together with the Audited Financial Statements for the financial year ended 31st Mar 2018.

Your Directors feel immense pleasure to introduce ourselves as a Small Finance Bank. The financial year 2017-18 has been a revolutionary year for us as we successfully transitioned from NBFC-MFI to a Small Finance Bank. The task of transformation to a Bank involved various steps and challenging procedures. We are glad that with meticulous planning and determination, the management was able to accomplish the job successfully.

The Bank launched its operations on 21st Jul 2017. The first banking branch of the Company was opened at Law Garden, Ahmedabad on 21st Jul 2017 on receipt of commencement of business approval from the Reserve Bank of India. The bank is currently having operations in 10 States viz. Gujarat, Rajasthan, Madhya Pradesh, Haryana, Delhi, Maharashtra, Puducherry, Karnataka, Tamil Nadu and Andhra Pradesh.

With the objective to serve all financial needs of our customers, we expanded our retail product suite and is currently offering Savings Accounts, Fixed Deposits, Loan Against Gold, Loan Against Property, Micro Loans and Institutional Finance.

The details of the operations are given in the Management Discussion and Analysis which forms part of the Annual Report.

Some of the key developments in your company this Financial Year 2017-18 are highlighted in this report.

1. FINANCIAL HIGHLIGHTS FY 2017-18

The Financial Performance for the financial year ended 31st Mar 2018 is summarized in the following table:

(Amount in ₹ Lakh)

Year ended 31st Mar	FY 18	FY 17
Interest Income	31,408	16,739
Other Income	3,653	1,815
Interest expended	11,891	6,559
Operating expenses	17,805	10,234
Provision and contingencies	15,120	893
Profit Before Tax	(8,984)	1,307
Profit After Tax	(9,755)	868
Surplus brought forward	1,800	1,106
Amount available for appropriation	(7,955)	1,974
Appropriation have been made as under:		
Transfer to Statutory Reserve	-	174
Surplus carried to Balance Sheet	(7,955)	1,800
EPS (₹)	(26.04)	3.91

2. DIVIDEND

In view of loss during the financial year, your Directors do not recommend any dividend for the year under review.

3. AMOUNTS TRANSFER TO RESERVES

In view of loss during the period under review, the Bank has not transferred any amount to Statutory Reserves. However, the Bank has maintained the Statutory Reserve

of ₹ 449.92 Lakh with the Reserve Bank of India under section 17(2) of the Banking Regulation Act, 1949.

4. CREDIT RATING

The Bank has been assigned IND A-/Stable credit rating by India Ratings & Research, ICRA and CARE Ratings for its debts and debentures. Further the Bank has been assigned MA (Stable) credit rating for its fixed deposits by ICRA.

5. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 124(5) of the Companies Act, 2013 the amount of dividend if any remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the company, is required to be transferred to the Investor Education and Protection Fund, set up by the Government of India. As there is no unpaid/unclaimed dividend the Company was not required to transfer any amount to Investor Education and Protection Fund.

6. THE STATE OF COMPANY'S AFFAIRS

The Company continues to be categorized as a Small Finance Bank under the RBI Regulations. The Company is in compliance with all the licensing and operating guidelines of RBI as amended from time to time.

7. CHANGE IN NATURE OF BUSINESS IN FY 2017-18

The Company has received License from the Reserve Bank of India dated 12th May 2017, to carry on business as a Small Finance Bank in India under Section 22(1) of the Banking Regulation Act, 1949 and surrendered its NBFC-MFI certificate of registration no. B.01.00566 with RBI. The name of the Company was also changed from Disha Microfin Limited to Fincare Small Finance Bank Limited effective from 14th Jun 2017. Except above, there was no change in the nature of business of your Bank for the year under review.

8. CAPITAL STRUCTURE OF THE COMPANY

During the year, the Authorised Share Capital of the Company has been increased by ₹ 10,00,00,000/- (Rupees Ten Crore Only). The Authorised Share Capital

of the Company as on 31st Mar 2018 is ₹ 50,00,00,000/- (Rupees Fifty Crore Only) divided into 5,00,00,000 (Five Crore) Equity Shares of ₹ 10/- each. The Company has also obtained No Objection Certificate from the Reserve Bank of India dated 18th Jan 2018 pursuant to Section 49C of Banking Regulation Act, 1949, for the consequent alteration in the Memorandum and Association of the Company.

The issued, subscribed and paid up capital of the Company as on 31st Mar 2018 stood at ₹ 37,45,93,540/- (Rupees Thirty Seven Crore Forty Five Lakh Ninety Three Thousand Five Hundred Forty Only).

Further, Company has not issued shares with differential rights, Sweat equity shares/employee stock option Scheme/Bonus shares. The Company has not bought back any of its securities during the year under review.

After closure of the financial year, the Company has further increased its authorized share capital from existing ₹ 50,00,00,000/- (Rupees Fifty Crore Only) to ₹ 100,00,00,000/- (Rupees One Hundred Crore Only) by creation of additional capital of ₹ 50,00,00,000/- (Rupees Fifty Crore only) divided into 5,00,00,000 (Five Crore) Equity Shares of ₹ 10/- (Rupees Ten Only) each ranking pari passu in all respect with the existing Equity Shares of the Company at the meeting of members held on 29th Aug 2018.

9. ANNUAL RETURN

The extract of Annual Return in form **MGT 9** pursuant to the provisions of Section 92 (3) read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014 is furnished as **Annexure I** forming part of this report. The same is also available on bank's website www.fincarebank.com

10. NUMBER OF MEETINGS OF THE BOARD DURING THE FINANCIAL YEAR 2017-18

The Board of Directors of the Company met Twelve times in the Financial Year 2017-18. The maximum interval between any two Meetings did not exceed 120 days and the Minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013. The details of the meeting held in the year are mentioned hereunder:-

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sep)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1	12 th Apr 2017	5 th Sept 2017	14 th Nov 2017	23 rd Jan 2018
2	1 st May 2017			21 st Feb 2018
3	17 th May 2017			21 st Mar 2018
4	30 th May 2017			
5	20 th Jun 2017			
6	24 th Jun 2017 (10 AM)			
7	24 th Jun 2017 (5 PM)			

The Details of Attendance of Directors are cited in the Corporate Governance Report Annexed as **Annexure II** to this report.

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from the

Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)

disclosure requirement under Section 134(3)(g) of the said Act. Prior to conversion into a Small Finance Bank, there were no transactions entered into under Section 186 of the Companies Act, 2013.

Details of Investments are given in Schedule 8 to the Financial Statements forming part of the Annual Report.

12. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

During the year under review, there were no transactions with related parties, as envisaged under Section 188 of the Companies Act, 2013; hence Form AOC-2 is not applicable. Other disclosures with respect to related parties form part of the notes to Financial Statements.

13. APPOINTMENT OF AUDITORS

A. STATUTORY AUDITORS

M/s Walker Chandio & Co LLP (Firm Registration No. 001076N), Chartered Accountants, were appointed as Statutory Auditors of the Company for a period of 5 years at the Annual General Meeting of the Company held on 26th Sept 2014. They have confirmed their eligibility for the FY 2018-19 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder. The Companies Amendment Act, 2017 has omitted the requirement of ratification of the appointment of statutory auditors at every annual general meeting; the relevant amendment made effective on 7th May 2018. Hence the ratification of appointment of Statutory Auditors at the ensuing 23rd AGM has not been proposed. However, the appointment of Statutory Auditors for the FY 2018-19 is subject to the approval of RBI.

B. SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Tushar Shridharani,

Practicing Company Secretary as the Secretarial Auditor of the Company to conduct secretarial audit for the FY 2017-18. The Secretarial Audit Report for FY 2017-18 is appended as **Annexure III** to the Board's Report.

The Board has upon recommendation of Audit Committee approved their appointment as Secretarial Auditors for FY 2018-19.

C. INTERNAL AUDITOR

Mr. Subash V., Master in Business Administration, Certified Associate of Indian Institute of Bankers, Bachelor of Science- Mathematics, Physics and Chemistry etc. was appointed as the Internal Auditor w.e.f. 5th Sept 2017 and has performed Internal Audit for the financial year 2017-18. The Board has upon recommendation of Audit Committee approved his appointment as Internal Auditors for FY 2018-19 at their meeting held on 5th Sept 2018.

14. EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND THE PRACTICING COMPANY SECRETARY IN THEIR REPORTS

There are no qualifications, reservations, disclaimers or adverse remarks made by the Statutory Auditors or by the Secretarial Auditors in their reports requiring explanations from the Board.

15. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. 31st Mar 2018 and the date of Boards' Report i.e. 5th Sept 2018-19.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014:

(A) Conservation of Energy and technology absorption: Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

(B) The Foreign Exchange earnings and outgo :

Particulars	31 st Mar 2018 ₹	31 st Mar 2017 ₹
Foreign Exchange Inflow	NIL	NIL
Foreign Exchange outflow	19,23,896	23,00,000

17. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any Subsidiaries, Joint Ventures and Associate Companies. Hence, Form AOC-1 as specified under Companies Act, 2013 is not applicable on Bank.

18. RISK MANAGEMENT POLICY

Your Company has in place a comprehensive Risk Management framework supported by detailed policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. The Board is supported by the Risk Management committee of the Board, which is chaired by an independent Director. It is also supported by various management committees as part of the Risk Governance framework. The design and implementation of a sound risk process is largely the responsibility of Chief Risk Officer supported by Risk Department of the Bank.

19. DEPOSITS

Being a banking company, the disclosures required as per **Rule 8(5)(v) & (vi)** of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable.

20. DIRECTORS

Your Bank's Board consists of professionals who are having knowledge and experience required in the Banking industry. The responsibilities of the Board inter alia include formulation of policies, taking new initiatives, performance review, monitoring of plans and pursuing of policies and procedures and ensuring that the Bank operates under regulatory framework laid down by the RBI for Banks.

A) Change in Directors

During the year under review, the composition of the Board of Directors changed in accordance with the requirements of RBI guidelines with respect to Small Finance Bank.

Mr. Srikrishna Dwaram (DIN: 03133413), Nominee Director ceased to be Director w.e.f. 19th Jun 2017.

Mr. Rajeev Yadav (DIN: 00111379), Non-Executive Director, Mr. Soham Shukla (DIN: 00157667), Non-Executive Director, Mr. Sameer Nanavati (DIN:00157693), Whole-time Director and Mr. Alok Prasad (DIN:00080225), Independent Director of the Company resigned with effect from 24th Jun 2017.

Mr. Rajeev Yadav was reappointed as an Additional Director at the meeting of Board of Directors held on 24th Jun 2017 and was designated as Managing Director and Chief Executive Officer subject to approval of the members of the Company and the Reserve Bank of India. The members of the Company also approved his appointment on 10th Jul 2017 subject to approval of the Reserve Bank of India. The bank received approval for appointment of Mr. Rajeev Yadav as Managing Director and Chief Executive Officer of the Bank on 17th Jul 2017.

Mr. Sameer Nanavati was reappointed as a Nominee Director, representing Fincare Business Services Limited on the Board of the Bank with effect from 24th Jun 2017.

Mr. Alok Prasad and Mr. Sunil Gulati (DIN:00016990) were appointed as Additional Directors (Independent) on the Board with effect from 20th Jul 2017 to hold office till the conclusion of ensuing general meeting and their appointment was regularized by the members of the Company at the annual general meeting held on 28th Sept 2017.

Mr. Varun Sabhlok (DIN:07704720) was appointed as Additional Director(Independent) on the Board with effect from 31st Aug 2017 to hold office till the conclusion of ensuing general meeting and his appointment was regularized by the members of the Company at their annual general meeting held on 28th Sept 2017.

Mr. Rajiv Sabharwal (DIN: 00057333) was appointed on the Board of the Company as Nominee Director, representing Fincare Business Services Limited with effect from 5th Sept 2017 and his nomination was

withdrawn with effect from 16th Jan 2018.

Mr. Praveen Agarwal (DIN: 08064084) was appointed on the Board of the Company as Nominee Director, representing Fincare Business Services Limited with effect from 5th Feb 2018.

The nomination of Mr. Praveen Agarwal was withdrawn with effect from 19th May 2018 and Mr. Ravindran Lakshamanan (DIN: 07631421) was appointed on the Board of the Company as Nominee Director, representing Fincare Business Services Limited with effect from 19th May 2018.

B) Changes in Key Managerial Personnel

During the period under review, Mr. Keyur Doshi, was appointed as the Chief Financial Officer of the Bank with effect from 1st May 2017 in place of Mr. Vivek Kothari.

21. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There are no material orders passed by the Regulators/ Courts/Tribunals during FY 2017-18, which would impact the going concern status of the Bank and its future operations. The Bank has complied with the applicable requirements and no penalties were imposed on the Bank by RBI, Stock Exchanges and SEBI during the year under review.

22. UPDATE ON INTERNAL FINANCIAL CONTROL OVER FINANCIAL REPORTING

In respect of adequacy of Internal Financial Controls (IFC) with reference to the Financial Statements, the Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

23. DECLARATION OF INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

24. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Bank has adopted a Corporate Social Responsibility Policy. The CSR policy of the company is framed in line with the Guidelines on

Corporate Social Responsibility for Private and Public enterprises.

Statutory disclosures with respect to the CSR Committee and a Report on CSR Activities forms part of this Report as **Annexure IV**.

25. COMMITTEES OF THE BOARD

The Board has constituted various Committees to take informed decisions in the interest of the Bank and to establish best corporate governance practices. The Board Committees deal with specific matters as per delegated powers and monitor the activities falling under different functional areas of the Bank in acquiescence of provisions of Companies Act, 2013, the relevant rules made thereunder, Banking Regulation Act, 1949 other guidelines issued by RBI from time to time and the Articles of Association of the Bank.

Details of Composition of various committees are specified in the Corporate Governance Report forming part of this report as **Annexure II**.

Further there were no instances when Board had not accepted any recommendation of the Audit Committee.

26. STATEMENT INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION HAS BEEN MADE BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Your Directors had carried out evaluation of the Board as a whole, its Committees and the Independent Directors. Performance evaluation procedures as recommended by the Nomination and Remuneration Committee (Nomination Committee) for evaluation of performance of (i) Board/Committees (ii) Independent Directors such as Board Composition, level of involvement, performance of duties, attendance etc. Your Directors are updated by the Nomination Committee on various evaluation attributes. The Nomination Committee found the performance of all the Directors to be quite satisfactory and the Board's functioning as well as that

29. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees are covered under the policy. During the year ended 31st Mar 2018, two complaints were received by the Bank and both of them were investigated and closed.

No. of Complaints Pending at the Beginning of the year	0
No. of Complaints received & resolved during the year	2
No. of Complaints Pending at the End of the year	0

30. MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis report is annexed to this report in **Annexure V**.

31. DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 the Board hereby submits its responsibility Statement:

of its Committees overall were quite effective.

EVALUATION OF THE BOARD

The Board evaluated its performance as a whole and was satisfied with its performance and composition of independent and non-independent directors. Further, the Board appreciated that they are comprised of various professionals from diverse backgrounds which brings to the table different dimensions for effective functioning.

EVALUATION OF THE COMMITTEES OF THE BOARD

The Board evaluated its various committees and was satisfied with each of their composition, functioning, frequency of meetings and the performance of all its Committees.

EVALUATION OF THE INDEPENDENT DIRECTORS BY THE BOARD

The Board (excluding the independent directors) discussed the performance of all the Independent Directors of the Company on an individual basis and evaluated that the performance of each Independent Director met the expectations of the Company and it is advisable to continue with the term of appointment of the Independent Directors.

27. SEPARATE MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Company have met as required under Schedule IV of the Companies Act, 2013 and other applicable provisions of the Act.

28. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

The Company has established the Whistle Blower Policy pursuant to which Directors, employees of the Company can report their concerns on unethical and/or improper behavior, practices, actual or suspected fraud or violation of the Company's Code of Conduct or any other wrongful conduct in the Company or of its employees. There were no complaints during the year under review.

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;
- c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the Directors had prepared the annual accounts on a going concern basis; and
- e. the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

32. HUMAN RESOURCE

Your Bank hired the superlative talent from the industry to ensure sustainable growth. With ongoing banking transition during the year, the Bank provided a range of employment opportunities to banking professionals covering liability, branch operations, retail banking and for many other functions. During FY 2017-18, your Bank has expanded its workforce to 4357 employees as on 31st Mar 2018 vis-à-vis 3344 employees as on commencement of banking operations on 21st July 2017.

33. COMPLIANCE

Your Bank has established a strong compliance culture and framework in line with its strategic goals of transparency and trust, among all its stakeholders. Your Bank has a dedicated Compliance Department for ensuring regulatory compliance, across all its businesses and operations. The key functions of this department include, dissemination of key regulatory updates affecting the various businesses of your Bank, review of new products and processes from a regulatory compliance perspective, provide guidance on compliance-related matters among others. Your Bank has also put in place a 'Know Your Customer' and 'Anti-Money Laundering Policy' approved by the Board of Directors and transaction monitoring procedures, as per the RBI guidelines.

34. CORPORATE GOVERNANCE REPORT

A Report on Corporate Governance is attached as **Annexure II** and forms part of the Directors' Report. Details on number of Meetings of Board and Committees and composition of various Committees of the Board are given in the Corporate Governance Report.

35. COMPLIANCE OF SECRETARIAL STANDARDS

Your bank has a dedicated Secretarial Department which ensures Compliance of the Secretarial Standards issued by the Institute of Company Secretaries of India along with the other secretarial requirements of the Companies Act and other applicable provisions.

36. DISCLOSURE ON MAINTAINANCE OF COST RECORDS

The maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is not applicable on your bank and hence the same is not maintained.

37. POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION

Pursuant to the requirements of Section 134 and 178 of the Companies Act, 2013, the policy on appointment of Board Members and policy on remuneration of the Directors, KMPs and other employees as attached as **Annexure VI** to this report.

38. RBI GUIDELINES

Your Bank has complied and is committed to comply with all the licensing and operating guidelines of RBI as amended from time to time and the provisions of Banking Regulation Act, 1949.

39. ACKNOWLEDGEMENTS

Your Directors place on record their sincere thanks to the Reserve Bank of India, Securities and Exchange Board of India, Ministry of Corporate Affairs, Indian Banks' Association (IBA), Unique Identification Authority of India (UIDAI), the Bank's Customers, Bankers and other Lenders, Members, Registrar and Transfer Agent, Debenture holders, Trustees and others for their continued support and faith reposed in the Bank. The Directors would also like to thank the BSE Limited, National Securities Depository Limited, Central Depository Services (India) Limited and the Credit Rating Agencies for their continued co-operation.

The Board of Directors appreciates their support and is grateful for the confidence that they have placed in the Board of Directors and the Bank's management. The Board also places on record its deep appreciation for the dedication and commitment of the employees at all levels as their hard work, co-operation and support enabled the Bank to maintain its consistent growth.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN:02252403

Add: Planet Godrej, Tower 4, Flr 21
Simplex Mills Compound, Nr Jacobs Circle,
Mahalaxmi, Mumbai 40001.

Sd/-

Mr. Rajeev Yadav

Managing Director & Chief Executive Officer

DIN:00111379

Add: 248, SECTOR-14, Gurgaon-122001.

Annexure I

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended **31st Mar 2018**
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS

i	CIN	U67120GJ1995PLC025373
ii	Registration Date	05/04/1995
iii	Name of the Company	FINCARE SMALL FINANCE BANK LIMITED (FORMERLY DISHA MICROFIN LIMITED)
iv	Category/Sub-category of the Company	PUBLIC COMPANY LIMITED BY SHARES
v	Address of the Registered office & contact details	301-306, 3 rd Floor, Abhijeet V, Law Garden Road, Mithakhali, Ahmedabad-380006, Gujarat. Tel: 079-40011000. E-mail- sfbcompsec@fincarebank.com
vi	Whether listed company	YES (Debt securities are listed)
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any	Karvy Computershare Private Limited. Address: Karvy House 46, Avenue-4, Street No. 1, Banjara Hills, Hyderabad-500034.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sr. No.	Name & Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Financial Services	6499	100

III. PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

Sr. No.	Name & Address of the Company	CIN/GLN	Holding/ subsidiary/ associate	% of shares held	Applicable section
1	Fincare Business Services Limited	U74900KA2014PLC075614	Holding	91.11%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

(i) CATEGORY WISE SHAREHOLDING

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	6	0	6	0	6	0	6	0	0
b) Central Govt.or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	2,30,23,634	1,11,05,123	3,41,28,757	91.11	3,41,28,757	0	3,41,28,757	91.11	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (1):	2,30,23,640	1,11,05,123	3,41,28,763	91.11	3,41,28,763	0	3,41,28,763	91.11	0
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	16,65,296	0	16,65,296	4.45	0	0	0	0	-4.45
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2):	16,65,296	0	16,65,296	4.45	0	0	0	0	-4.45
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	2,46,88,936	1,11,05,123	3,57,94,059	95.56	3,41,28,763	0	3,41,28,763	91.11	-4.45
B. PUBLIC SHAREHOLDING									
(1) Institutions	0	0	0	0	0	0	0	0	0
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(1):	0	0	0	0	0	0	0	0	0

(i) CATEGORY WISE SHAREHOLDING

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non Institutions									
a) Bodies Corporates	0	0	0	0	0	0	0	0	0
i) Indian	16,65,295	0	16,65,295	4.44	16,65,295	0	16,65,295	4.44	0
ii) Overseas	0	0	0	0	16,65,296	0	16,65,296	4.45	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	0	0	0	0	0	0	0	0	0
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 Lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(2):	16,65,295	0	16,65,295	4.44	33,30,591	0	33,30,591	8.89	0
Total Public Shareholding (B)= (B)(1)+(B)(2)	16,65,295	0	16,65,295	4.44	33,30,591	0	33,30,591	8.89	0
C. Shares held by Custodian for GDRs and ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	2,63,54,231	1,11,05,123	3,74,59,354	100	3,74,59,354	0	3,74,59,354	100	-4.45

*Note: The Board of Directors at their meeting held on 5th Sept 2018 has recategorized the shareholding pattern of the Bank w.e.f. FY 2017-18 and accordingly Indium IV (Mauritius) Holdings in no more a Promoter of the Bank.

(ii) *SHARE HOLDING OF PROMOTERS

	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1.	Fincare Business Services Private Limited	2,30,23,634	61.46	0	3,41,28,757	91.11	0	29.65
2.	Future Financial Services Private Limited	1,11,05,123	29.65	0	0	0	1	-29.65
3.	Sameer Nanavati	1	0	0	1	1	1	0
4.	Soham Shukla	1	0	0	1	1	1	0
5.	Vivek Kothari	1	0	0	1	1	1	0
6.	Keyur Doshi	1	0	0	1	1	1	0
7.	Rajeev Yadav	1	0	0	1	1	1	0
8.	G Dasaratha Reddy	1	0	0	1	1	0	0
9.	Indium IV (Mauritius) Holdings Limited	16,65,296	4.45	0	0	0		(4)
Total		3,57,94,059	96	-	3,41,28,763	91.11	0	(4)

*Note: The Board of Directors at their meeting held on 5th Sept 2018 has recategorized the shareholding pattern of the Bank w.e.f. FY 2017-18 and accordingly Indium IV (Mauritius) Holdings in no more a Promoter of the Bank.

(ii) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs and ADRs)

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	True North Fund V LLP				
	At the beginning of the year	16,65,295	4.44		
	No Change during the year under review				
	At the end of the year (or on the date of separation, if separated during the year)			16,65,295	4.44

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Indium IV (Mauritius) Holdings Limited				
	At the beginning of the year	16,65,296	4.45		
	No Change during the year under review				
	At the end of the year (or on the date of separation, if separated during the year)			16,65,296	4.45

(iii) Shareholding of Directors & KMP

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. Sameer Nanavati - Nominee Director				
	At the beginning of the year	1	0	1	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	1	0	1	0

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2	Mr. Pramod Kabra - Non-Executive Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
3	Mr. Praveen Kumar Agarwal - Nominee Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
4	Mr. Sunil Gulati - Independent Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

(iii) Shareholding of Directors & KMP

5	Mr. Varun Sabhlok - Independent Director	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

6	Ms. Susan Thomas - Independent Director	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

7	Mr. Alok Prasad - Independent Director	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

8	Mr. Vinay Baijal - Independent Director	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

(iii) Shareholding of Directors & KMP

		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
9	Mr. Rajeev Yadav - Managing Director & CEO				
	At the beginning of the year	1	0	1	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	1	0	1	0

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
10	Mr. Keyur Gopalbhai Doshi - CFO				
	At the beginning of the year	1	0	1	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	1	0	1	0

Sr. No.		Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
11	Ms. Shefaly Kothari - CS				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
	At the end of the year	0	0	0	0

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
	Secured Loans excluding deposits ₹	Unsecured Loans ₹	Deposits (FD) ₹	Total Indebtedness ₹
Indebtedness at the beginning of the financial year (1st Apr 2017)				
i) Principal Amount	5,53,47,51,064	77,62,63,700	0	6,31,10,14,764
ii) Interest due but not paid	92,61,811	0	0	92,61,811
iii) Interest accrued but not due	3,28,38,951	1,04,45,653	0	4,32,84,604
Total (i+ii+iii) A	5,57,68,51,826	78,67,09,353	0	6,36,35,61,179
Change in Indebtedness during the financial year				
Additions	1,70,00,00,000	7,60,75,10,750	19,65,16,74,934	28,95,91,85,684
Reduction	4,35,07,66,358	57,80,38,056	12,74,82,91,435	17,67,70,95,849
Net Change (B)	6,05,07,66,358	8,18,55,48,806	6,90,33,83,499	21,13,96,98,663
Indebtedness at the end of the financial year (31st Mar 2017)				
i) Principal Amount	2,88,39,84,706	7,80,57,36,394	6,90,33,83,499	17,59,31,04,599
ii) Interest due but not paid	0	2,22,93,823	4,00,06,029	6,22,99,852.39
iii) Interest accrued but not due	9,47,12,707	0	0	9,47,12,707
Total (i+ii+iii) C	2,97,86,97,413	7,82,80,30,217	6,94,33,89,529	17,75,01,17,159

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

Sr. No.	Particulars of Remuneration	Name of the MD/WTD/Manager*		Total Amount
		Sameer Nanavati (WTD)	Rajeev Yadav (MD & CEO)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961	₹ 15.27 Lakh	₹ 262.75 Lakh	₹ 278.02 Lakh
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0	0.28 Lakh	0.28 Lakh
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0
2.	Stock option	0	0	0
3.	Sweat Equity	0	0	0
4.	Commission	0	0	0
	as % of profit	0	0	0
	others (specify)	0	0	0
5.	Others, please specify	0	0	0
	Total (A)	₹ 15.27 Lakh	₹ 263.03 Lakh	₹ 278.3 Lakh
	Ceiling as per the Act	As per Schedule V of the Companies Act, 2013		

* Remuneration paid in the capacity of Director

(in ₹ except otherwise mentioned)

B. Remuneration to other directors:								
Particulars of Remuneration		Name of the Directors						
Sr. No.		Mr. Alok Prasad	Ms. Susan Thomas	Mr. Vinay Baijal	Mr. Sunil Gulati	Mr. Varun Sabhlok	Mr. Sameer Nanavati	Total Amount
1.	Independent Directors							
	(a) Fee for attending board committee meetings	12,00,000	5,50,000	12,00,000	8,32,000	6,50,000	N.A	44,32,000
	(b) Commission	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	(c) Others, please specify	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Total (1)	12,00,000	5,50,000	12,00,000	8,32,000	6,50,000	N.A	44,32,000
2.	Other Non Executive Directors							
	(a) Fee for attending board committee meetings	N.A	N.A	N.A	N.A	N.A	8,00,000	
	(b) Commission	N.A	N.A	N.A	N.A	N.A	0	
	(c) Others, please specify	N.A	N.A	N.A	N.A	N.A	0	
	Total (2)	0	0				8,00,000	16,00,000
	Total (B)=(1+2)	12,00,000	5,50,000	12,00,000	8,32,000	6,50,000	8,00,000	52,32,000
	Total Managerial Remuneration	12,00,000	5,50,000	12,00,000	8,32,000	6,50,000	8,00,000	52,32,000
	Overall Ceiling as per the Act	12,00,000	12,00,000	12,00,000	12,00,000	12,00,000	N.A	60,00,000

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD				
Sr. No.	Particulars of Remuneration	CFO	CS	Total
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	₹ 84.53 Lakh	₹ 13.23 Lakh	₹ 97.76 Lakh
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	₹ 0.22 Lakh	0	₹ 0.22 Lakh
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0
2.	Stock Option	0	0	0
3.	Sweat Equity	0	0	0
4.	Commission	0	0	0
	as % of profit	0	0	0
	others, specify	0	0	0
5.	Others, please specify	0	0	0
		0	0	0
	Total	₹ 84.75 Lakh	₹ 13.23 Lakh	₹ 97.98 Lakh

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. COMPANY Penalty Punishment Compounding		NA			
B. DIRECTORS Penalty Punishment Compounding		NA			
C. OTHER OFFICERS IN DEFAULT Penalty Punishment Compounding		NA			

For Fincare Small Finance Bank Limited

Sd/-
Mr. Rajeev Yadav
Managing Director and Chief Executive Officer
DIN: 00111379

Sd/-
Mr. Pramod Kabra
Chairman and Non-Executive Director
DIN:02252403

Annexure II

REPORT ON CORPORATE GOVERNANCE

Fincare Small Finance Bank has put in place a Corporate Governance process that aims to meet Stakeholder's aspirations and societal expectations. It is not a discipline imposed by a Regulator, but is a culture that guides the Board, Management and Employees to function towards best interest of Stakeholders. The Corporate Governance philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. The Bank strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency, accountability to its stakeholders, Reserve Bank of India and others who deal with the Bank.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's Corporate Governance Philosophy is based on the phrase "Total commitment to ethical practices in the conduct of business." At the core of its Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank. The Bank believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. The Bank's Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the Reserve Bank of India ("RBI"), Securities Exchange Board of India ("SEBI") and other Regulators besides good practices either recommended by professional bodies or practiced by leading Bank's/Companies in India.

CODE OF CORPORATE GOVERNANCE

The Board of Directors has adopted and implemented Corporate Governance Policy which empowers the Board with necessary authority and practices in place, to review and evaluate our operations. This Policy allows the Board to make decisions that are independent of the Management. The Board may change this Policy from time to time to effectively achieve our stated objectives.

VALUES THAT DEFINE HOW WE WORK

- Fair
- Innovative
- Nimble
- Collaborative
- Accountable
- Resolute
- Excellent

BOARD OF DIRECTORS

The Company has optimal combination of Executive Directors, Non-Executive Chairman, Non-Executive Directors and Independent Directors in compliance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the Directions issued by the Reserve Bank of India (RBI) for small finance banks. The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably elevating the Company's value creation. The Board critically evaluates the Company's strategic direction, management policies and their effectiveness. In terms of the Corporate Governance philosophy, all statutory and other significant material information is placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

1. Composition of the Board and directorships held during the financial year 2017-18:

Category	Name of Director	Date of Appointment	Date of Cessation	No. of Board Meetings attended	No. of Committee Meetings attended	Attendance at last AGM	Other Directorships
Executive Director	Mr. Rajeev Yadav, Managing Director and Chief Executive Officer	17.07.2017	-	4	8	No	0
	Mr. Sameer Nanavati, Whole-time Director	03.02.2009	24.06.2017	4	0	-	-
	Mr. Soham Shukla, Director	03.02.2009	24.06.2017	6	1	-	2
Non-Executive Director	Mr. Pramod Kabra, Chairman and Non-Executive Director (Designated as Chairman w.e.f. 24 th Jun 2017)	19.09.2013	-	12	13	Yes	8
	Mr. Rajeev Yadav, Director	12.10.2015	24.06.2017	4	3	Yes	-
	Mr. Sameer Nanavati, Nominee Director	24.06.2017	-	5	4	Yes	2
	Mr. Praveen Kumar Agarwal, Nominee Director	05.02.2018	19.05.2018	1	0	No	0
	Mr. Rajiv Sabharwal, Nominee Director	05.09.2017	16.01.2018	2	4	No	7
	Mr. Srikrishna Dwaram, Nominee Director	25.10.2010	19.06.2017	3	0	-	5
Independent Director	Ms. Susan Thomas, Independent Director	02.09.2014	-	4	6	No	4
	Mr. Varun Sabhlok, Independent Director	31.08.2017	-	4	6	No	0
	Mr. Vinay Baijal, Independent Director	25.02.2017	-	11	14	No	0
	Mr. Alok Prasad, Independent Director	25.02.2017	24.06.2017	5	3	No	-
	Mr. Alok Prasad, Independent Director	20.07.2017	-	4	4	No	6
	Mr. Sunil Gulati, Independent Director	20.07.2017	-	5	8	No	8

*Note - This does not include directorship in foreign entities.

The changes in Board of Directors have been recorded and respective forms have been filed with the Registrar of Companies, Gujarat, complying with the Provisions of the Companies Act 2013.

2. Disclosure of relationships between directors inter-se:

The Directors do not have any relationship inter-se.

3. Number of shares and convertible instruments held by non-executive directors:

Mr. Sameer Nanavati, Nominee Director representing Fincare Business Services Limited holds 1 equity share of the company amounting to negligible percentage of total paid-up equity share capital of the Company.

BOARD MEETINGS

The Board of Directors of the Company met Twelve times in the Financial Year 2017-18. The maximum interval between any two Meetings did not exceed 120 days and the Minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	12 th Apr 2017	5 th Sept 2017	14 th Nov 2017	23 rd Jan 2018
2.	1 st May 2017			21 st Feb 2018
3.	17 th May 2017			21 st Mar 2018
4.	30 th May 2017			
5.	20 th Jun 2017			
6.	24 th Jun 2017 (10 AM)			
7.	24 th Jun 2017 (5 PM)			

The minutes of all the Board Meetings were duly recorded in the Minutes Book.

Prior to each meeting of Board of Directors, agenda items along with detailed background information were circulated to the Board Members in compliance with Secretarial Standards (SS-1) and applicable provisions of the Companies Act, 2013. Presentations were also made to the Board by different functional heads on important matters. In addition to items which are required to be placed before the Board for its noting a/or approval, information on various other significant items was also provided.

COMMITTEES OF THE BOARD

During the period under review, the Board has 9 (Nine) Committees, namely:

- Audit Committee
- Nomination and Remuneration Committee
- Asset Liability Management Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Customer Service Committee
- Fraud Monitoring Committee
- IT Strategy Committee and
- Credit Approval Committee

However, the Asset Liability Management Committee of the Board was withdrawn with effect from 26th Sept 2017 since the same committee already existed at Management level of the Company.

The committees assist the Board of Directors by focusing on specific responsibilities in greater detail than is possible for the Board as a whole, reporting to the Board and making any necessary recommendations.

AUDIT COMMITTEE

Composition:

The Audit Committee ("the ACB") has been constituted in accordance with provisions of Section 177 of the Companies Act, 2013 and RBI regulations applicable to the Bank.

The composition of the Audit Committee as on 31st Mar 2018 is as follows:

1. Mr. Vinay Baijal - Chairperson and Independent Director
2. Mr. Sameer Nanavati - Nominee Director
3. Mr. Pramod Kabra - Chairman of Board and Non-Executive Director
4. Mr. Sunil Gulati - Independent Director
5. Mr. Alok Prasad - Independent Director
6. Mr. Varun Sabhlok - Independent Director

The Audit Committee of the Board met 5 (Five) times during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1	1 st May 2017	5 th Sept 2017	14 th Nov 2017	13 th Mar 2018
2	30 th May 2017			

Audit Committee Meeting Attendance:

Name	Nature of Directorship	No of meetings attended	No of Meetings held during the tenure of directors
Mr. Vinay Baijal	Chairperson of ACB and Independent Director	5	5
Mr. Sameer Nanavati (Till 24 th Jun 2017 and reappointed w.e.f. 5 th Sept 2017)	Whole-Time Director (Till 24 th Jun 2017)	0	2
	Nominee Director (w.e.f 5 th Sept 2017)	2	2
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	3	5
Ms. Susan Thomas (Till 5 th Sept 2017)	Chairperson of NRC and Independent Director	1	3
Mr. Varun Sabhlok (w.e.f. 21 st Feb 2018)	Independent Director	1	1
Mr. Sunil Gulati (w.e.f. 5 th Sept 2017)	Independent Director	2	2
Mr. Alok Prasad (Till 24 th Jun 2017 and reappointed w.e.f 5 th Sept 2017)	Independent Director	2	2
		1	3
Mr. Rajeev Yadav (Till 24 th Jun 2017)	Non-Executive Director	2	2
Mr. Rajiv Sabharwal (w.e.f 5 th Sept 2017 to 16 th Jan 2018)	Nominee Director	1	1

Functioning of the Audit Committee:

The Board of Directors has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable regulatory requirements, the terms of reference of the Audit Committee is covered by its charter. Its functioning inter alia broadly include the following:

Audit-related functions

- Recommending to the Board, the appointment, re-appointment, terms of reference and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- Reviewing and monitoring the statutory and internal auditors' independence, performance and effectiveness of audit process;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Review of compliance with the inspection and audit reports of Reserve Bank of India, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults. To investigate any activity within its terms of reference;
- A consolidate review of cases of fraud, dacoity, robbery, etc., detected during the year containing information such as area of operations where such attempts were made, effectiveness of new processes and procedures put in place during the year, trend of such cases during the last three years, need for further change in processes and procedures, if any etc. as on Mar 31st every year should be put up to the committee within 3 months of the end of the relative year.

Financial statements

- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - i Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - ii Changes, if any, in accounting policies and practices and reasons for the same;
 - iii Major accounting entries involving estimates based on the exercise of judgment by management;
 - iv Significant adjustments made in the financial statements arising out of audit findings;
 - v Compliance with legal requirements relating to financial statements;
 - vi Disclosure of any related party transactions;
 - vii Qualifications in draft Audit report.
- Reviewing, with the management, the quarterly financial statements;
- Reviewing, with the management, the half-yearly financial statements before submission to the Board for approval.

Internal audit related functions

- Reviewing with management the adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussing with internal auditors any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

Related Party Transactions

- Approval or any subsequent modification of transactions of the Bank with related parties.

Disclosure

- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- The Committee shall take note of required disclosures on significant changes in internal controls over financial reporting during the year.

Others

- Monitoring the end use of funds raised through public offers and related matters;

- Evaluation of internal financial controls and risk management systems;
- To appoint valuers for valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a Bank or liability of the Bank under the provision of the Companies Act, 2013;
- To undertake and/or approve of valuation of undertakings or assets of the Bank, wherever it is necessary;
- To scrutinize inter-Bank loans and investments;
- To review guidelines for investing surplus funds of the Bank;
- To review investment proposals before submission to the Board of Directors;
- To review proposal for mergers, demergers, acquisitions, carve-outs, sale, transfer of business /real estate and its valuation report and fairness opinion, if any, thereof;
- Pre-approval or any subsequent modification of transactions of the Bank with related parties;
- To ensure proper system of storage, retrieval, display, or printout of the electronic record;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower/vigil mechanism. The procedures should ensure adequate safeguards against victimization of persons using such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases;
- Any other requirement in accordance with the applicable provisions of Companies Act, or any re-enactment, amendment or modification thereto from time to time;
- To review findings and report of Fraud Monitoring Committee on periodic basis on the cases of attempted fraud and any other findings;
- Review the KYC/Anti-Money Laundering (AML)/Counter - Financing of Terrorism (CFT) policy annually and review the implementation of the Companies AML /CFT programme;
- The Committee will perform any other duties and responsibilities that are consistent with the Committee's purpose, Articles of Association as the Board or Committee.

The Audit Committee shall mandatorily review the following information:

- a. Management discussion and analysis of financial condition and results of operations; Statement of significant related party transactions, (as defined by the Audit Committee), submitted by management;
- b. Management letters I letters of internal control weaknesses issued by the statutory auditors;
- c. Internal audit reports relating to internal control weaknesses;
- d. The appointment, removal and terms of remuneration

- of the chief internal auditor shall be subject to review by the Audit Committee; and
- e. The financial statements of unlisted subsidiary companies, in particular, the investments made by unlisted subsidiary companies.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ("the NRC") has been constituted in accordance with provisions of Section 178 of the Companies Act, 2013 and RBI regulations applicable to the Bank.

Composition:

The Nomination and Remuneration Committee consisted of the following members as at 31st Mar 2018:

1. Ms. Susan Thomas - Chairperson of NRC and Independent Director
2. Mr. Pramod Kabra - Chairman of Board and Non-Executive Director
3. Mr. Alok Prasad - Independent Director

The Nomination and Remuneration Committee of the Board met 6 (Six) times during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	1 st May 2017	19 th Jul 2017	-	-
2.	30 th May 2017	30 th Aug 2017		
3.	24 th Jun 2017	5 th Sept 2017		

Nomination and Remuneration Committee Meeting Attendance:

Name	Nature of Directorship	No. of meetings attended	No. of Meetings held during the tenure of directors
Ms. Susan Thomas	Independent Director	3	6
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	6	6
Mr. Alok Prasad (w.e.f. 5 th Sept 2017)	Independent Director	0	0
Mr. Vinay Baijal	Independent Director	6	6
Mr. Sameer Nanavati (Till 24 th Jun 2017)	Whole-time Director	0	2
Mr. Rajiv Sabharwal (w.e.f. 5 th Sept 2017 to 16 th Jan 2018)	Nominee Director	0	0

The Board of Directors has formed and approved a charter for the Nomination and Remuneration committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 the terms of reference of Nomination and Remuneration committee is covered by its Charter and its functioning broadly inter alia include the following:

- **While formulating the policy ensure that**

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Bank successfully;
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) Remuneration to directors, key managerial personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term

performance objectives appropriate to the working of the Bank and its goals and is in compliance to RBI norms;

- Determine the Bank's policy on specific remuneration packages for Whole-time Directors/ Executive Directors including pension rights and any compensation payment;
- Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors;
- Define and implement the performance linked incentive scheme and evaluate the performance and determine the amount of incentive of the Whole-time Directors for that purpose;
- Decide the amount of commission payable to each Executive and Non-Executive Director;
- Periodically review and suggest revision of the total

remuneration package of the Whole-time Directors keeping in view performance of the Bank, standards prevailing in the industry, Norms specified by RBI, statutory guidelines, etc;

- Abide by any other requirement in accordance with the applicable provisions of, Companies Act, 2013 and/or applicable RBI Guidelines/Regulations, or any re-enactment, amendment or modification thereto from time to time;
- The Committee shall plan for CEO/Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a report to the Board to nominate potential successors to CEO/Senior Management personnel;
- Oversee the Director succession planning process for ensuring the right mix of Directors on the Board;
- In cases where Director provides any services to the Bank in any other capacity, evaluating whether the Director possesses the requisite qualification for the practice of such profession;
- Keep abreast of external remuneration trends and market conditions;
- Develop an Orientation (new Directors) and Continuing Education Program (CEP) for the Board and individual Directors so as to keep abreast of changes in the Bank and the environment in which it operates;
- To co-ordinate and oversee the annual self-review of the performance of the Board, its Committees and of the Individual Directors (including Independent Directors) in the governance of the Bank;
- To review the performance of each existing Director of the Bank;
- To ensure that a Deed of Covenant and a declaration and undertaking in Bank's favor, as may be specified by RBI is obtained from every Director;
- To ensure that an annual declaration is obtained from its Directors that the information provided has not undergone change and where there is any change, requisite details from them has been obtained forthwith;
- To scrutinize Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and shall report to the Reserve Bank if any of its directors fails to fulfill the 'fit and proper' criteria as specified by Reserve Bank from time to time. The Committee shall review and assess its performance on an annual basis.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee ("the ALCO") was constituted with the purpose of evolving appropriate systems and procedures for ongoing identification

and analysis of Balance Sheet risks and laying down parameters for efficient management of these risks through Asset Liability Management Policy of the Bank.

However, the Asset Liability Management Committee of the Board was dissolved with effect from 26th Sept 2017 since the same committee already existed at Management level of the Company.

The Asset Liability Management Committee consisted of the following members as on 26th Sept 2017.

1. Ms. Susan Thomas - Chairperson of ALCO and Independent Director
2. Mr. Pramod Kabra - Chairman of Board and Non-Executive Director
3. Mr. Alok Prasad - Independent Director

Further, there was no meeting of the committee was held during its period of existence.

The terms of reference of Asset-Liability Management committee is covered by its Charter and its functioning broadly inter alia includes the following:

- Formulate and implement optimal ALM strategies, both at product level and enterprise level and meeting risk/reward objectives;
- To lay down the risk tolerance limits;
- To monitor risk exposures, funding & development at periodic intervals and revise ALM strategies where required;
- To place the ALM information before the Board at periodic intervals.

RISK MANAGEMENT COMMITTEE

The Bank has formed Risk Management Committee ("the RMCB") of the Board for assisting the Board to establish a risk culture and risk governance framework in the organization. The function of the Committee is to identify management of risk inherent in all the products and services across the Bank and to ensure that the established risk culture is adopted across all levels.

The Risk Management Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Sunil Gulati - Chairperson of RMCB and Independent Director
2. Mr. Rajeev Yadav - Managing Director and Chief Executive Officer
3. Mr. Pramod Kabra - Chairman of the Board and Non-Executive Director
4. Mr. Varun Sabhlok - Independent Director
5. Mr. Praveen Kumar Agarwal - Nominee Director

The Committee was reconstituted on 22nd May 2018 due to the withdrawal of nomination of Mr. Praveen Kumar Agarwal and nomination of Mr. Ravindran Lakshmanan by Fincare Business Services Limited. The reconstitution was as follows:

1. Mr. Sunil Gulati – Chairperson of RMCB and Independent Director
2. Mr. Rajeev Yadav – Managing Director and Chief Executive Officer
3. Mr. Pramod Kabra – Chairman of the Board and Non-Executive Director
4. Mr. Varun Sabhlok – Independent Director
5. Mr. Ravindran Lakshmanan – Nominee Director

The Risk Management Committee of the Board met 2 (two) times during the year under review

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1	-	-	26 th Oct 2017	23 rd Jan 2018

Risk Management Committee Meeting Attendance:

Name	Nature of Directorship	No. of meetings attended	No. of Meetings held during the tenure of directors
Mr. Sunil Gulati	Independent Director	2	2
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	2	2
Mr. Varun Sabhlok	Independent Director	2	2
Mr. Rajeev Yadav	Independent Director	2	2
Mr. Rajiv Sabharwal (w.e.f. 5 th Sept 2017 to 16 th Jan 2018)	Nominee Director	0	0

The Board of Directors has formed and approved a charter for the Risk Management committee setting out the roles, responsibilities and functioning of the Committee. The terms of reference of Risk Management committee is covered by its Charter and its functioning broadly inter alia include the following:

A. Risk Management

- To identify, monitor and measure the risk profile of the Bank (including market risk, operational risk, transactional risk and credit risk);
- To oversee its integrated risk measurement system;
- To oversee the risk management policy for approval by the Board;
- To develop Bank's credit and market risk policies and procedures;
- To verify adherence to various risk parameters and prudential limits for treasury operations and to review its risk monitoring system;
- To develop an integrated framework for charting/ categorizing various types of loans, to determine implications on quality and review of returns and reports to the Reserve Bank of India pertaining to the Risk Monitoring function;
- To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis;
- To oversee promotion of awareness of a risk-based culture and achieving a balance between risk minimization and reward for risks accepted;
- To liaise, as necessary, with other Board Committees, especially where there is a perceived or actual overlapping of responsibilities regarding particular risk and compliance issues;
- To verify models that are used for preparing complex products; review models as development takes place in the markets and also identify new risks;
- To monitor compliance of various risk parameters by operating departments;
- Design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures;
- To review the credit and liquidity stress test results on a quarterly basis;
- To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified;
- The Committee shall have direct access to, and complete and open communication with the Bank's management and may obtain advice and assistance from legal, risk or other advisors. The Bank shall provide for appropriate funding, as determined by the Committee, for the payment of:
 - (i) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities; and
 - (ii) compensation to independent legal, risk and other advisors retained by the Committee;

- Reviewing adequacy of insurance policies taken by Management to cover risks/transfer risk exposures;
- To carry out any other function as is referred by the Board from time to time or enforced by any statutory notification/amendment or modification as may be applicable.

B. Liquidity Risk Management

- To ensure compliance with Banks Group policy and regulatory requirement;
- To set local targets and review assumptions used for forecasting cashflows;
- Review and approve contingency plans for liquidity and realisability assumption;
- To review and manage concentration risk arising from both borrowers and depositors;
- To ensure business activity is consistent with the structural integrity of the balance sheet, including capital consumption;
- To ensure that risks inherent in local payment systems are evaluated, quantified and managed.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee (the “CSR Committee”) has been framed in accordance with the Companies Act, 2013 (Section 135) read with applicable rules as amended from time to time.

Composition

Pursuant to the provisions of Section 135 of the Companies Act, 2013 CSR Committee was constituted. The Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Alok Prasad – Chairperson of CSR committee and Independent Director
2. Ms. Susan Thomas – Independent Director
3. Mr. Sameer Nanavati - Nominee Director
4. Mr. Varun Sabhlok - Independent Director
5. Mr. Praveen Agarwal - Nominee Director

The Committee was reconstituted on 22nd May 2018 due to the withdrawal of nomination of Mr. Praveen Kumar Agarwal and nomination of Mr. Ravindran Lakshmanan by Fincare Business Services Limited. The reconstitution was as follows:

1. Mr. Alok Prasad – Chairperson of CSR committee and Independent Director
2. Ms. Susan Thomas – Independent Director
3. Mr. Sameer Nanavati - Nominee Director
4. Mr. Varun Sabhlok - Independent Director
5. Mr. Ravindran Lakshmanan - Nominee Director

The Corporate Social Responsibility Committee of the Board met twice during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	30 th May 2017	-	14 th Nov 2017	

CSR Committee Meeting Attendance:

Name	Nature of Directorship	No of meetings attended	No of Meetings held during the tenure of directors
Mr. Alok Prasad	Independent Director	2	2
Ms. Susan Thomas	Independent Director	0	2
Mr. Sameer Nanavati (Till 24 th Jun 2017 and reappointed w.e.f. 5 th Sept 2017)	Nominee Director	0 1	1 1
Mr. Varun Sabhlok (w.e.f. 5 th Sept 2017)	Independent Director	1	1
Mr. Praveen Agarwal (w.e.f. 21 st Feb 2017)	Nominee Director	0	0
Mr. Soham Shukla (Till 24 th Jun 2017)	Non-Executive Director	1	1
Mr. Rajeev Yadav (Till 24 th Jun 2017)	Non-Executive Director	1	1

The CSR Committee has acted as per the policy laid down by the Board. The Committee has approved and monitored the CSR expenditure as per the regulatory requirements of the applicable laws. The Board has approved the Charter of the CSR Committee setting out the responsibilities, roles of the Committee, the terms of reference of the committee which inter-alia includes the following:

To consider, review and decide the following:

- Formulate and recommend to the Board the CSR Policy, Strategy & Goals;
- Recommend the activities and expenditure to be undertaken by the Bank under the CSR Policy;
- Recommend to the Board, the amount of expenditure to be incurred on the activities pertaining to CSR. (Prescribed in Schedule VII) and monitor the same;
- Review and monitor the corporate social responsibility activities of the Bank on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations;
- Formulate a transparent monitoring mechanism for implementation of CSR Projects or programs or activities undertaken by the Bank;
- The Committee shall regularly report to the Board on the CSR initiatives and status. The Committee shall also provide reasons to the Board if the amount

earmarked for CSR initiatives has not been spent and action steps for the same;

- Review management's position on key stakeholder expectations involving corporate social responsibility and provide perspectives for Board's consideration;
- Review on a continuous basis the Bank's communication strategies relating to CSR;
- Review the Bank's annual CSR report prior to its issuance;
- Review and assess the remit and reports of any audit process to gain assurance over the CSR activities;
- Review management-identified opportunities to optimize the use of technology for the use of CSR activities.

The Corporate Social Responsibility Committee regularly report to the Board on all significant matters it has addressed and with respect to such other matters that are within its responsibilities or such other items/matters prescribed under applicable law or prescribed by the Board in compliance with applicable law from time to time.

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of its policy as considered appropriate.

FRAUD MONITORING COMMITTEE

Pursuant to the directives issued by Reserve Bank of India, The Bank has set up and formed Special Committee for Fraud Monitoring ("FMC") at the meeting of the Board of Directors held on 24th Jun 2017 for monitoring and follow up on cases amounting to ₹ 1 Crore and above. The Committee identifies the systemic lacunae, if any, that facilitate perpetration of the fraud and put in place measures to plug the same and also evaluate existing systems and procedures for fraud detection and prevention.

The Fraud Monitoring Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Sameer Nanavati - Chairperson of FMC and Nominee Director
2. Ms. Susan Thomas - Independent Director
3. Mr. Vinay Baijal - Independent Director
4. Mr. Rajeev Yadav - Managing Director and Chief Executive Officer
5. Mr. Alok Prasad - Independent Director

The Fraud Monitoring Committee of the Board met twice during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	-	-	14 th Nov 2017	23 rd Jan 2018

Fraud Monitoring Committee Meeting Attendance:

Name	Nature of Directorship	No. of meetings attended	No. of Meetings held during the tenure of directors
Mr. Sameer Nanavati	Nominee Director	2	2
Ms. Susan Thomas	Independent Director	1	2
Mr. Vinay Baijal	Independent Director	1	2
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	2	2
Mr. Alok Prasad	Independent Director	2	2

The terms of reference in addition to the regulatory requirements is governed by the charter, which inter alia includes the following:

- Identify the system lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;
- Identify the reasons for delay in detection, if any and report to top management of the Bank and RBI (if any);
- Monitor progress of Central Bureau of Investigation/ Police Investigation and recovery position;
- Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds;
- To update Audit committee on periodic basis on the cases of attempted fraud and action taken on them.

IT STRATEGY COMMITTEE

IT Strategy Committee was formed by the Board of Directors at their meeting held on 24th Jun 2017 to Assist the Board and the Bank in overseeing the IT functions of the Bank, besides providing input, review and amend the aligned corporate and IT strategies.

The IT Strategy Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Varun Sabhlok – Chairperson of IT Strategy Committee and Independent Director
2. Mr. Rajeev Yadav – Managing Director and Chief Executive Officer
3. Mr. Sunil Gulati – Independent Director
4. Mr. Pramod Kabra – Chairman of the Board and Non-Executive Director

The IT Strategy Committee of the Board met 2 (two) times during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	-	-	14 th Nov 2017	23 rd Jan 2018

IT Strategy Committee Meeting Attendance:

Name	Nature of Directorship	No. of meetings attended	No. of Meetings held during the tenure of directors
Mr. Varun Sabhlok	Independent Director	2	2
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	2	2
Mr. Sunil Gulati	Independent Director	2	2
Mr. Pramod Kabra	Chairman of the Board and Non-Executive Director	2	2
Mr. Rajiv Sabharwal (w.e.f. 5 th Sept 2017 to 16 th Jan 2018)	Nominee Director	1	1

Terms of reference in addition to the regulatory requirements is governed by the charter which broadly inter-alia includes the following:

- Approving IT strategy and policy documents;
- Ensuring that the management has put an effective strategic planning process in place;
- Ratifying that the business strategy is indeed aligned with IT strategy;
- Ensuring that the IT Organizational structure complements the business model and its direction;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining Bank's growth;
- Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks;
- Assessing Senior Management's performance in implementing IT strategies;

- Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks);
- Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
- Evaluating effectiveness of management's monitoring of IT risks and overseeing the aggregate funding of IT at the Bank level;
- Reviewing IT performance measurement and contribution of IT to businesses (i.e. delivering the promised value).

CUSTOMER SERVICE COMMITTEE

Customer Service Committee is constituted by the Board of Directors of the Bank at their meeting held on 24th June 2017 to assist the Board and the Bank in monitoring the quality of services rendered to the customers and to ensure implementation of directives received from the Reserve Bank of India in this regard.

The Customer Service Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Praveen Kumar Agarwal - Chairperson of the Customer Service Committee and Nominee Director
2. Mr. Rajeev Yadav - Managing Director and Chief Executive Officer
3. Mr. Sunil Gulati - Independent Director
4. Ms. Susan Thomas - Independent Director
5. Mr. Vinay Baijal - Independent Director

The Committee was reconstituted on 22nd May 2018 due to the withdrawal of nomination of Mr. Praveen Kumar Agarwal and nomination of Mr. Ravindran Lakshmanan by Fincare Business Services Limited. The reconstitution was as follows:

1. Mr. Ravindran Lakshmanan - Chairperson of the Customer Service Committee and Nominee Director
2. Mr. Rajeev Yadav - Managing Director and Chief Executive Officer
3. Mr. Sunil Gulati - Independent Director
4. Ms. Susan Thomas - Independent Director
5. Mr. Vinay Baijal - Independent Director

The Customer Service Committee of the Board met 2 (two) times during the year under review.

Sr. No.	Quarter 1 (Apr-Jun)	Quarter 2 (Jul-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-Mar)
1.	-	-	14 th Nov 2017	21 st Mar 2018

Customer Service Committee Meeting Attendance:

Name	Nature of Directorship	No. of meetings attended	No. of Meetings held during the tenure of directors
Mr. Praveen Kumar Agarwal (w.e.f. 21 st Feb 2018)	Nominee Director	0	1
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	2	2
Mr. Sunil Gulati	Independent Director	2	2
Ms. Susan Thomas	Independent Director	1	2
Mr. Vinay Baijal	Independent Director	2	2
Mr. Rajiv Sabharwal (w.e.f 5 th Sept 2017 to 16 th Jan 2018)	Nominee Director	1	1

Terms of reference of the committee are governed by the charter, which inter-alia includes the following:

- To formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services;
- To monitor implementation of awards under the Banking Ombudsman Scheme;
- To ensure customer are treated fairly all the times and complaints raised by them is dealt with courtesy and in time;

- To evaluate feedback on quality of customer service and to oversee implementation of commitments towards customers as per the directions received from BCSBI;
- To ensure that all regulatory instructions regarding customer service are followed by the Bank;
- Review and approve customer service policies and customer communication strategies of the Bank;
- Review the performance of Standing Committee on Customer Service.

CREDIT APPROVAL COMMITTEE

Credit Approval Committee of the Board is constituted by the Board members at their meeting held on 24th Jun 2017 to assist the Board and the Bank to approve credit exposures, which are beyond the powers delegated to the executives of Bank. This facilitates quick response to the needs of the customers and speedy disbursement of loans.

The Credit Approval Committee consisted of the following members as at 31st Mar 2018:

1. Mr. Pramod Kabra - Chairperson and Non-Executive Director
2. Mr. Rajeev Yadav - Managing Director and Chief Executive Officer
3. Mr. Sunil Gulati - Independent Director
4. Mr. Sameer Nanavati - Nominee Director
5. Mr. Vinay Baijal - Independent Director

The Committee has not met during the year as there was no requirement for the same.

Terms of Reference

- To formulate clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, regulatory/legal compliance, etc;
- To approve credit exposures which are beyond the powers delegated to executives of the Bank;
- To control the risk through effective loan review mechanism and portfolio management.

GENERAL BODY MEETINGS

a) Annual General Meeting:

The Annual General Meetings (AGM) is principal forum for interaction with shareholders, where the Board answers specific queries raised by the shareholders. The Board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders - be it individuals, domestic institutional investors or foreign investors.

The Annual General Meeting for the Financial Year 2016-17 was held on 28th Sept 2017 at the Registered Office of the Company situated at 301-306, 3rd Floor, Abhijeet-V Opp. Mayor's Bunglow, Law Garden Road, Mithakhali,

Form No.	Type of Form	Relevant section	Date of filing/ submission
MGT-7	Annual Return	92(1)	16 th Nov 2017
AOC-4	B/S and Profit and loss A/c	137	3 rd Nov 2017

b) Extra-Ordinary General Meeting:

During the Year, Five (5) Extra-Ordinary General Meetings were held on 19th May 2017; 21st Jun 2017, 10th Jul 2017, 22nd Feb 2018 and 15th Mar 2018.

No special resolution has been passed through postal ballot during the last year.

No Special resolution is proposed to be passed through Postal Ballot.

SUBSIDIARY COMPANY

Your Company does not have any subsidiary.

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Bank met on 30th Apr, 2018 without the presence of any Non-Independent Directors.

PERFORMANCE EVALUATION OF DIRECTORS

The Bank has followed objectives based approach for carrying out performance evaluation of Directors. Performance Evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-Independent Directors was done in accordance with the relevant provisions of the Companies Act, 2013 read with relevant rules made thereunder.

REMUNERATION OF NON- EXECUTIVE DIRECTORS

The remuneration to the Non-Executive Directors is paid in form of sitting fees and commission. The RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated 1st Jun 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks emphasizing that in order to enable banks to attract and retain professional Directors, it is essential that such Directors are appropriately compensated. Sitting fees of ₹ 1,00,000/- and ₹ 50,000/- are paid to Non-Executive Directors for every Board and Committee meeting attended by them. However the total amount paid to each such during a financial year did not exceed ₹ 12,00,000/- and were within the limits prescribed under the provisions of Companies Act, 2013.

None of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank apart from

The details of Sitting fees paid to Non-Executive Directors is mentioned as below:

Name of Director	Sitting Fees Paid (In ₹)
Mr. Vinay Baijal	12,00,000
Mr. Sunil Gulati	8,32,000
Mr. Sameer Nanavati	8,00,000
Mr. Alok Prasad	12,00,000
Ms. Susan Thomas	5,50,000
Ms. Varun Sabhlok	6,50,000

CREDIT RATINGS

The Bank has rating of A- from ICRA, India Ratings and CARE ratings which is considered to have moderate degree of the safety regarding timely servicing of financial obligation. The outlook of the rating is stable. Further the Bank has been assigned MA (Stable) credit rating for its fixed deposits by ICRA.

CODE OF CONDUCT

The Company has a policy of Code of Conduct in place and all the employees and senior management have adhered compliance of the same.

FAIR PRACTICES CODE

The Company has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is displayed on the Company's website and at all branches of the Company.

DISCLOSURE REGARDING MANAGERIAL REMUNERATION:

Sr. No.	Particulars	Remarks
1.	Designation	Mr. Sameer Nanavati, Whole-Time Director
2.	Remuneration received	₹ 15 Lakh
3.	Nature of employment, whether contractual or otherwise	Whole time employee
4.	Qualifications and experience of the employee	B.SC. and MBA with experience of more than 15 years
5.	Date of commencement of employment	03.02.2009 (Resigned w.e.f. 24 th Jun 2017)
6.	The percentage of equity shares held by the employee in the company	0.00

Sr. No.	Particulars	Remarks
1.	Designation	Mr. Rajeev Yadav, Managing Director and Chief Executive Director
2.	Remuneration received	₹ 301 Lakh
3.	Nature of employment, whether contractual or otherwise	Whole-time employee
4.	Qualifications and experience of the employee	B.Tech and PGDM with experience of more than 24 years
5.	Date of commencement of employment	1 st May 2017
6.	The percentage of equity shares held by the employee in the company	0.00

Disclosure under Rule 5(2) of The Companies (Appointment And Remuneration Of Managerial Personnel) Rules, 2014

- i. Names of the top ten employees in terms of remuneration drawn- Attached as Annexure A;
- ii. Name of every employee, who if employed throughout the financial year, was in receipt of remuneration for that year which, in aggregate was not less than One Crore and Two Lakh rupees- Attached as Annexure B;
- iii. Name of every employee, who if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight Lakh and fifty thousand rupees per month - NIL;
- iv. Name of every employee, who employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company - NIL.

VIGIL MECHANISM (WHISTLE BLOWER) POLICY

The Company has established the Whistle Blower Policy pursuant to which Directors, employees and vendors of

the Company can report their concerns on unethical and/ or improper behaviour, practices, actual or suspected fraud or violation of the Company's Code of Conduct or any other wrongful conduct in the Company or of its employees. Details of complaints received and the action taken on the complaints were reviewed by the Audit Committee of the Board.

FINANCIALS CIRCULATION

Financial Results of the half year ended 30th Sept 2017 and 31st Mar 2018 were published in newspaper having nationwide circulation on 16th Nov 2017 and 1st May 2018 in accordance with listing compliances pursuant to debt listing. The company has also published the corrigendum on 12th May 2018 due to some typographical error in the Financials for the period ended on 31st Mar 2018.

OTHER DISCLOSURES

Disclosures on transactions with related parties, as required under the Indian Accounting Standard 18, have been incorporated in the Notes to the Accounts, being part of the Annual Report.

There are no instances on non-compliance by the company, penalties or strictures imposed by any Regulatory Authority. There are no materially significant related party transactions with the Company's Promoters, directors, key managerial personnel or their relatives, which may have potential conflict with the interest of the Company at large.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting: Date: Thursday, 28th day of Sept 2017

Time: 11.00 A.M.

Venue: 301-306, 3rd Floor, Abhijeet V, Law Garden Road, Mithakhali- Ahmedabad- 380006.

Financial year: 1st Apr 2017 to 31st Mar 2018

Shareholding pattern as on 31st Mar 2018

Sr. No.	Name of Shareholder(s)	No. of Shares	Shareholding %
1.	Indium IV (Mauritius) Holdings Limited	16,65,296	4.45%
2.	Fincare Business Services Limited	3,41,28,757	91.11%
3.	True North Fund V LLP	16,65,295	4.45%
4.	Sameer Nanavati	1	0
5.	Soham Shukla	1	0
6.	Vivek Kothari	1	0
7.	Keyur Doshi	1	0
8.	Rajeev Yadav	1	0
9.	G. Dasarathareddy	1	0
Total		3,74,59,354	100.00%

Non Convertible Debentures (NCDs) of the Company have been issued in dematerialized form and have been listed on the Bombay Stock Exchange.

Transfer Agents

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032. Phone: +91 40 6716 1602

Debenture Trustee

CATALYST TRUSTEESHIP LIMITED (Erstwhile GDA Trusteeship Limited)

Office No. 83 - 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai - 400021. Phone: 022-49220539
www.catalysttrustee.com

Dematerialization

The shares of the Company have been dematerialized through Karvy Computershare Private Limited.

Registered Office and Corporate Office

The Registered office of the Company is located at Ahmedabad at 301-306, 3rd Floor, Abhijeet V, Law Garden Road, Mithakhali, Ahmedabad-380006 and Corporate office of the Company is located at Bengaluru at 5th Floor, Bren Mercury, Kaikondalahalli, Sarjapur Main Road, Bengaluru - 560035. Karnataka.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

Mr. Rajeev Yadav

Managing Director & Chief Executive Officer

DIN: 00111379

Add:248, Sector-14, Gurgaon-122001, Haryana.

Sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN:02252403

Add: Planet Godrej, Tower 4, Flr 21, Simplex Mills Compound, Nr Jacobs Circle, Mahalaxmi, Mumbai 400011.

Date: 05.09.2018

Place: Bangalore

Annexure III

TUSHAR SHRIDHARANI
B. Com., LL.B., F.C.S.

Tel. : (022) 2208 5764 / 2208 5765
Email : tushar@tusharshri.com
Cell. : 98211 45765
Web. : www.tusharshri.com

10, New Marine Lines,
417, Jolly Bhavan No. 1,
Churchgate,
Mumbai - 400 020.

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MAR2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members,
Fincare Small Finance Bank Limited,
301-306, 3rd Floor, Abhijeet V,
Opp. Mayor's Bungalow, Law Garden Road, Mithakhali,
Ahmedabad - 380 006.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Fincare Small Finance Bank Limited (**"the Company"**). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the period covering the financial year ended on 31st Mar 2018 (**"Audit Period"**) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st Mar 2018 according to the provisions of:

- (i) The Companies Act, 2013 (**"the Act"**) and the rules made thereunder;
- (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (iii) The Depositories Act, 1996 and the regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable to the Foreign Direct Investment;
- (v) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (vi) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

Having regard to the compliance system prevailing, on examination of the relevant documents and records on test check basis, explanations provided, I further report that the Company has complied with the Reserve Bank of India Act, 1934 and the rules, regulations and directions made thereunder to the extent applicable for it being a 'Non-deposit Taking Systematically Important - Non-Banking Financial Company' (NBFC-ND-SI) as well as 'Non-Banking Financial Company - Micro Financial Institution' (**"NBFC-MFI"**) until the Company carried on these businesses. The Company surrendered its Certificate of Registration as NBFC-MFI to the Reserve Bank of India on 1st Aug 2017.

I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof on test check basis, the Company complied with the following regulations/laws applicable specifically to the Company.

- (i) Banking Regulation Act, 1949;
- (ii) Master Directions issued by the RBI, from time to time, for Small Finance Banks and Commercial Banks;
- (iii) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970; (iii) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980; and
- (iv) Credit Information (Companies Regulation) Act, 2005.

During the Audit Period; the following Acts, Regulations and Guidelines were not applicable to the Company.

- (i) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- (ii) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (iii) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (iv) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- (v) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (vii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (viii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder with respect to External Commercial Borrowings.

It is further reported that -

The Board of Directors of the Company is duly constituted with proper balance of Executive and Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the Audit Period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance; and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the Audit Period, all decisions at Board Meetings and Committee Meetings were carried out unanimously.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit Period the Company had no specific event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

(Tushar Shridharani)
Practicing Company Secretary
FCS: 2690/COP: 2190

Place: Mumbai
Date: 29th Aug 2018

Annexure IV

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FY 2017-18

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR activities. The Policy also sets out the principles and the rules that need to be adhered while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

The CSR policy encompasses the Bank's philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.

Composition of CSR Committee as on 31st Mar 2018:

1. Mr. Alok Prasad, Chairperson
2. Ms. Susan Thomas
3. Mr. Sameer Nanavati
4. Mr. Varun Sabhlok
5. Mr. Praveen Kumar Agarwal

Due to change in the composition in Board, the board of the Company was reconstituted and subsequently the CSR committee was also re-constituted on 22nd May 2018 as following:

1. Mr. Alok Prasad, Chairperson
2. Ms. Susan Thomas
3. Mr. Sameer Nanavati
4. Mr. Varun Sabhlok
5. Mr. Ravindran Lakshmanan

1. Average net profit of the company for last three (3) financial years of the Company: ₹ 9,41,71,469/-
2. Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 (above): ₹ 18,83,429/-
3. Details of CSR spend for the financial year: 2017-18
 - a. Total amount spent for the financial year: ₹ 18,94,295/-
 - b. Amount unspent, if any: **NIL**
 - c. Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR Activity	Sector in which the project is covered	Project or programs 1. Local Area 2. Specify the state and district where CSR project was under taken	Amount outlay (budget) project or program wise ₹	Amount spent ₹	Cumulative expenditure up to the reporting period ₹	Amount spent : Direct or through implementing agency.
1	Eradicating Hunger, Poverty and malnutrition -Medical Camp -Food Item Distribution -Cleanliness Drive -Mat and Shawl distribution	Clause i- Eradicating hunger, poverty and malnutrition, 'promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water	Gujarat, Madhya Pradesh, Rajasthan and Maharashtra	3,57,748	3,57,748	3,57,748	Direct

Sr. No.	CSR Activity	Sector in which the project is covered	Project or programs 1. Local Area 2. Specify the state and district where CSR project	Amount outlay (budget) project or program wise ₹	Amount spent ₹	Cumulative expenditure up to the reporting period ₹	Amount spent : Direct or through implementing agency
2	Promoting education -Child Education Support Program -Financial Literacy Program -Financial Literacy Video	Clause ii- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Gujarat, Madhya Pradesh, Rajasthan, Uttar Pradesh and Maharashtra	12,75,448	12,75,448	16,33,196	Direct
3	Environment -Organic Farming	Clause iv- ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga	Gujarat and Maharashtra	2,61,099	2,61,099	18,94,295	Direct
	Total			18,94,295	18,94,295	18,94,295	

5. The CSR Committee has implemented and monitored the CSR Expenditure as per the CSR objectives and Policy of the Company.

For Fincare Small Finance Bank Limited

Sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Sd/-

Mr. Alok Prasad

Chairperson of CSR Committee and Independent Director

DIN: 00080225

Sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Annexure V

Management Discussion and Analysis

Small Finance Banks – Big Opportunity

In order to facilitate financial inclusion and banking penetration in India, the Reserve Bank of India (RBI) granted Small Finance Bank (SFB) licenses to 10 entities and most became operational by end of FY 18. During the year, most of the SFBs focused on building branch network for garnering retail liabilities, diversifying their loan book and making best use of technology to reduce cost of operations and enhance customer experience.

In India, there is a large untapped opportunity on the lending side with a hugely under-penetrated market and the opportunity size as big as ₹ 30 trillion or 40% of the Banking sector. Based on statistics, there are ~70m enterprises in India and not more than 5% of these enterprises are bankfunded. The Planning Commission report suggests that there is a shortage of 30m affordable homes in India. Hence, the market is not limited only to Micro loan borrowers but also to SMEs and housing segments. As per MFIN report, as of 31st Mar 2018, Banks hold the largest share of portfolio in micro-credit with total loan outstanding of ₹ 50,418 Crore. SFBs have a total loan amount outstanding of ₹ 30,019 Crore with total share of 27%.

Garnering Retail liabilities, which is a key driver of the new business model, depends on multiple factors and not just direct competition from the already established banks. Trust and transparency are a defining lever for the small finance banks. More than interest rates, the target customer base is inclined toward service delivery. Ease of understanding products combined with financial literacy is an approach adopted by many.

The business model is different and HR a key challenge. Helping employees become more customer-oriented and technological savvy given the changing banking environment is the key. Customer touch points are the key determinant of the trust factor between banks and customers, and employees need to deal with empathy. SFBs are making significant investment in training their teams.

Technology is not a differentiator but an enabler which helps deliver consistent and seamless customer service. Technology has to be adopted keeping in mind the needs of customers. Onetime capex of building IT infrastructure like adopting core banking applications has been incurred in this period putting strain on the financials of these players.

Overview of Bank Performance

Financial year 2017-18 was an inflection year for Fincare Small Finance bank which saw the transformation from a NBFC-MFI Company into a Small Finance Bank.

After having successfully navigated the Small Finance Bank transformation journey, your company received the final license from RBI under Section 22 of the Banking Regulation Act, 1949, to launch banking operations in May 2017. The company commenced the Banking Operations in Jul 2017.

Fincare Small Finance Bank opened its doors for business as a Rurban Bank built on the foundation of Trust, Transparency & Technology with a promise to usher a 'Smartbanking' revolution in how clients not only in urban but also in Rural, Semi-Urban India experience banking.

Built on a legacy of over 10 years in financial services, the year of Bank launch witnessed a period of smart growth with closing Assets under Management (AUM) of ₹ 2,135 Crore representing 61% growth over previous year. At the end of the year, the Bank had 10 Lakh+ active loan clients spread across Rural Micro Loans, Loan against Property, Loan against Gold and Institutional Finance.

During the year, the Bank expanded its horizons and ended the year with 317 banking outlets across different formats ranging from Full Service Branches to Mini branches to Loan Centers.

During the year, the Bank started to build its Retail banking franchise and with a focussed Fixed Deposit Strategy for the first 12 months, saw the year ending at ₹ 727 Crore of Deposits.

The investment in people continued in this journey and the Bank had a workforce of nearly 4,300 committed and passionate team members.

A few macro highlights of the year mentioned below signify the eventful year that was.

Force majeure Loss performance

Operationally, the Bank performed very well during the year and made a pre-provision net operating profit of ₹ 54 Crore. The bank adopted a policy more conservative than the regulatory requirement and made a large NPA provision and also took a large write off of ₹ 129 Crore which resulted in a loss of ₹ 97 Crore. With this clean-up, the Bank's Gross NPA and Net NPA as of 31st Mar 2018 stood at 0.9% and 0.7% respectively which reflects a healthy portfolio quality at the end of the financial year.

Seamless Transformation from NBFC-MFI to SFB

The Bank underwent a structural transformation in Jul-Sep 17. The transformation journey and eventually crossing the milestone was the outcome of careful planning and execution of all the variables at play. This involved efficient delivery of all regulatory compliances, putting policy framework, risk controls, organization structure & manpower planning, training and skilling of employees in place. The funding position in this conversion stage was achieved through bulk deposits, Inter Bank Participatory Certificates, Securitization and Refinance.

The design and implementation of the Core Banking System (CBS) along with support systems followed by the stabilization of the systems and seamless migration of the microfinance system was a highlight for the platform during the year.

Diversification

The bank has progressed well on the product diversification goal through scale up of its Loan against

Property (LAP) business as well as Institutional Finance and Loan against Gold businesses which got launched during the year. As at end of Financial Year 2018, the non-Micro Loans book stood at 13% of overall portfolio.

Synergy between teams/departments

Integrated functional support has been a win for the platform. The Bank's regulatory reporting for the year is on track, there has been good progress on policies, the Bank has two in-house functional call centers with multi-language capability and a toll free number and also strengthened teams across functions for enhanced readiness for building a focused, sustainable and customer friendly Bank.

Digital capabilities in SFB space

During the year, the Bank put in place complete tab based sourcing model across product lines, an in-house loan management application called mCare, an online savings account (101) being the first among SFBs to launch, as well as key payment systems and digital banking channels.

Mitigating impact of demonetization

The demonetization event of Nov 2016 had a significant impact on regular business, especially in rural microfinance, which comprises more than 90% of the portfolio. The bank successfully navigated the business challenges posed by this event and managed to mitigate the losses despite high initial Portfolio at Risk (PAR). Despite the operational challenges, the Bank posted nearly 60% growth in AUM during the year with collection efficiency of 99.8%. The year FY 18 was about improving collections and mitigating losses.

Regulatory Compliance

During FY 18 the CAR position of the Bank was kept at a strong level of 20% and investor confidence was maintained through good results.

Key functional highlights given below are a reflection of the systematic and synergistic approach adopted by the Bank in putting a well thought strategy into careful execution.

Treasury & Funding

The Bank uses different avenues for short term and long term viz. bulk deposits from NBFCs and corporates, interbank money market borrowings, securitisation/direct assignment of book debt, Interbank Participation Certificates (IBPC) and refinancing facility by SIDBI, NABARD and Mudra. From the erstwhile Microfinance regime, Bank enjoys a cordial relationship with our refinancing agencies and in FY'18 raised INR 450 Crore long term financing. Bank also maintains good relationship with rating agencies, trustee firms, legal firms and financial counterparties to seamlessly execute the securitisation and direct assignment transactions. The Borrowing committee of the Bank which includes CEO, CFO and CRO oversees and approves every funding transaction (other than interbank transactions) as and

when availed.

On the treasury systems front, the Bank implemented Quantum, a treasury implementation software owned and developed by FIS Global for trade booking, verification and settlement. The treasury system is integrated with the Bank's core banking software, Profile, owned and developed by FIS Global. The Bank also established connections with RBI E-Kuber platform, Structured Financial Messaging Systems (SFMS), National Electronic Fund transfer (NEFT),

Real Time Gross Settlement Systems (RTGS) and Clearing Corporation of India Ltd (CCIL) systems, which include Negotiated Dealing System (NDS-OM). Fincare Small Finance Bank is a member of Fixed Income Money market Derivative Association of India (FIMMDA) and the treasury officials abide by the code of conduct of FIMMDA along with Bank's code of conduct and other fair dealing practices.

Rural Banking

The footprint of the rural banking vertical of your company, at the close of FY 18 spans 273 rural and semi-urban locations spread across 7 states and one UT. Your bank operates in the deep rural markets with an outreach as of 31st Mar 2018 that is spread across 109 districts and more than 57,000 villages with about 1.0 million client base.

FY 18 was also a year that company emerged from the shadows of the demonetization. Microfinance portfolio saw a revival after the temporary disruption caused by cash shortage and its political after effect. The portfolio has regained its pre-demonetization collection efficiency level and is trending towards ~99.9%.

FY 18 is also the year bank's rural banking vertical started a new asset product rural- Loans against gold (R-LAG) in the second semester of the FY. Similarly, rural banking vertical introduced zero balance savings account with debit card for our microfinance client. This has also facilitated our microfinance client's journey towards banking inclusion and provided them with cashless loan disbursal.

The company operates with a robust operations model which includes focus on income generating loans, analytical data based sourcing methodology, 100% credit bureau verification, strong loan utilization checks, consistent credit surveillance to ensure collections, objective and Risk Based Supervision (RBS) auditing & monitoring and strong adherence to Standard Operating Policies. With these strong fundamentals and robust policies in place, Rural Banking vertical of your company closed its business on 31st Mar 2018 with an assets book of ₹ 1,831 Crore comprising largely of microfinance loans and rural micro enterprise loans.

Retail banking

The Retail Banking vertical is an integral part of the Liability strategy of the Bank. The bank ended the year with 33 Liability-focused outlets. During the year, new deposit products were introduced which helped spread the franchise in newer markets and acquiring new to bank customers. The bank acquired ~32,000 new Savings,

Current and FD customers. The deposit base of the Bank stood at ₹ 727 Crore at end of Financial Year with CASA contribution at 5%.

Loan against Property

Secured Loans is part of the diversification journey of the Bank and the Bank is directionally targeting 30-35% secured mix in the overall portfolio in the next 3 years. Loan against Property as a product is designed to empower small retailers, traders, manufacturer to fulfil the financial needs of their business. Both Term loan and Overdraft limit facility are offered for availing financial assistance. With 100% digital sourcing through TABs, the Bank is attempting to enhance the customer experience of dealing with a financial institution in a seamless, transparent and convenient manner. Balance transfer facility was launched during the year enhancing the customer value proposition. It is heartening to note that Loan against Property business recorded a closing portfolio as on 31st Mar 2018 at ₹ 125 Crore as against ₹ 56 Crore as on 31st Mar 2017.

Institutional Finance

With a clear intent of building the Institutional Finance Portfolio to be 10% of Bank's total portfolio over the next 3 years, the Bank went about a systematic build-up of this vertical during the year. With a dedicated team in place, the product was launched in Aug 2017. In a short span of 8 months, the portfolio grew to ₹ 160.10 Crore as on 31st Mar 2018. Disbursements for the same period stood at ₹ 185 Crore. What went in our favour was quick turnaround from onboarding of client to final disbursement. The initial focus of the business was on the MFI sector and business quickly achieved sectoral diversification by including clients in the SME, LAP and Vehicle finance space. The business also contributed to the geographical diversification of the Bank in markets where it did not have own presence. Today the clients are spread across Assam, Bihar, Chhattisgarh, Delhi, Haryana, Jharkhand, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and West Bengal.

Loan against Gold

The Bank offers Loan against Gold to micro enterprises, small businessman, traders and the salaried segment at competitive rate of interest and faster turn-around time. Started in FY 18, the Loan Outstanding Book has been growing consistently through the network of new as well as existing network of Banking Outlets. Since this was the first year of business, the focus was on putting in place robust processes so as to ensure a strong foundation. To this end, tab-based processing with compulsory e-KYC based onboarding and tighter processes at the customer touch point were introduced. Disbursals during the year stood at 6,340 loans amounting to ₹ 42 Crore resulting in a year end Loan Outstanding of ₹ 20 Crore. Overall the business ended the year with 'zero' losses and auctions.

Risk

The major pillars of risk management overseen are Credit Risk, Market Risk, Operational Risk, information risk/

cyber security. Each of these functions have established policies, processes, dashboards to measure, monitor and manage the various aspects of risk in Banking. The risk management team comprises of experienced risk professionals. At the Bank risk management plays a key role in the strategic growth of the organization and risk management mindset is inherently ingrained in the culture of the Bank.

Compliance

The Bank is committed to high standards in maintaining professional integrity, ethical conduct and regulatory compliance. The Bank has an independent Compliance Department, headed by Chief Compliance Officer to facilitate management of compliance risk and implement compliance framework across the Bank. The compliance function undertakes compliance activities like providing guidance on regulatory matter pertaining to various business activities, assisting functions units in ensuring that the Bank's Policies, Products and Processes meet the regulatory requirements. The Compliance team also tracks adherence to Licensing conditions and operating guidelines, putting in place Compliance Policy of the Bank. The Compliance Department periodically apprises both the Bank's management as well as the Board of Directors on the status of compliance in the Bank.

Centralized Processing Centre

The Bank has a centralized processing centre for the microloans vertical which handles and supports the automated processes for accuracy and turn-around-time. The loan documentation flow is fully digitized from sourcing to disbursement. Loan origination is done through scanning and uploading KYC, HV and application form into a customized IT the System. The credit check and underwriting is automated and loan document generation centralized and paperless.

Audit

The Bank follows whereby the internal audit function along with the risk management function monitors the quality and accuracy in the execution of internal policies and processes. In addition to this internal monitoring, the Bank is also subject to external statutory audits annually. The internal auditing is done periodically for verification and reporting of compliance issues, if any, with a rotational schedule across the field offices. In addition, the field locations are subject to surprise audits which ensure compliance to processes.

The year also saw this vertical taking measures and setting up infra and processes to address the Banking support needs of the newer customer demographics coming into the fold of the Bank.

People

People are the back bone of business and the right practices in hiring, inspiring, communicating, engaging and developing the human capital are core to the Bank's operations.

At the end of Mar 2018, the Bank has work force of

4,300+ which are categorized by function into Corporate and Business and by role into Field and Non-field.

The Bank has a robust HRMS for recruitment, onboarding, employee basic information, attendance and leave, payroll, performance management, separation and employee self-service essentially the complete employee life cycle management. During FY 18 an HRMS-app was introduced to make the employee experience of HR actions even smoother.

With an active employee development agenda, the function continued its focus on induction and refresher training, taking the class room route for regular, e-learning route for compliance and knowledge-based training. During the year, several upskilling initiatives such as Pragati Leadership, Prashnotari, Know Your Product (KYP) etc. were initiated covering 100% of the target people through at least one intervention in a quarter. During the year, 800+ training sessions were conducted covering 3,914 participants.

Effective engagement of customers has been carried out through fair practices in operations and active customer engagement. At Fincare, social and community impact is integral to the business. During the year, the function carried out this agenda with focused activities in two key areas viz. health & hygiene and literacy & livelihood. During the year, these activities impacted 14,000+ households.

Marketing & Communication

During the year, your Bank signed up Grand Master Viswanathan Anand, five-time World Chess Champion, as the Brand Ambassador. Brand Anand which represents talent, tenacity and track record, was the ideal choice as an ambassador for philosophy and the values of Brand Fincare. The bank has leveraged the association through #SmartMoves and #SmartBanking themed communications through collaterals and PR events.

Building Brand name and establishing top of mind awareness among target segment (TG) has been a key objective of the Bank in the launch year. The bank undertook many brand/market activation campaigns to engage its TG, drive recall and generate business with special emphasis on newly established product verticals of Retail Banking. The activation campaigns were successful in establishing the brand name in the markets. The bank explored various mass

awareness campaigns in FY 18 for brand name permeation and to drive leads. Multi-city OOH campaigns, Print campaigns, FM Campaigns, Advertorials placement, transit advertising, etc were successfully conducted. Branch catchment visibility driven BTL activities, Padayatras, Flyer distributions, door-to door campaigns, Festival linked contests and community gettogethers, Health & Wellness campaigns, kiosk activations etc are some of the activities that notched high success rates.

Social media engagement as a retail focused bank was deepened throughout the year with the key objectives of establishing credibility and trust in the Bank, communicate products & services on offer, announce schemes and promotional offers, enhance employer branding and build brand visibility and connect.

Branch Infrastructure

All our new Banking Outlets are designed with a 3 zone structure viz. the Self Service Zone housing the Cash Recycler, the Transaction Zone and the Back Office Zone. The Banking Outlets come with the same look and feel and have a warm and inviting feeling for our customers to experience new age banking. Care has been taken to see that the layout is open and private at the same time. The Banking Outlets have been designed in partnership with best in class strategic partners with the highest quality standard including certifications of ISO 9001, ISO 14001 - 2004, and ISO 18001 - 2007. Modular furniture is combined with an open ceiling finish to enhance the experience.

Technology

Over the years Technology has sustained the Bank's operations efficiently and effectively The focused digital front end operations and its underpinning processes enable your Bank to scale up quickly while keeping operative risk under controls. In this first year of banking transformation, the Bank not only implemented core banking technology from FIS but also implemented customer centric operations such as Internet banking, Mobile banking backed up by various payment channels such as NEFT, RTGS, IMPS thus bringing in class technology systems for customer experience. Your Bank has also integrated CBS with AML, Treasury operations and Contact centers.

The seamless migration of existing IT MFI ecosystem to the FIS platform is underway and functionalities are being met for many business verticals. The MFI loan origination and collection digital interfaces have been rolled out which is a feather in the cap towards ultimate digital initiatives. Your Bank has rolled out of MFI operations using core banking application is underway. The Bank looks forward to complete this integration in the coming financial year in line with the timelines committed.

The Bank manages its data through a highly secure cloud based data center with a real time Disaster Recovery (DR). This is a highly secured and cost effective infrastructure that enables sustained business focus. The IT platform is a key differentiator of your Bank that has contributed to business performance and efficiencies with straight through processes, bringing greater functional integration, improved information management and superior outreach, thus improving its bottom line and delivering value to customers and other stakeholders alike.

For Fincare Small Finance Bank Limited

Sd/-

Mr. Rajeev Yadav

Managing Director &
Chief Executive Officer

DIN: 00111379

Add: 248, SECTOR-14,
GURGAON-122001

Sd/-

Mr. Pramod Kabra

Chairman and
Non-Executive Director

DIN:02252403

Add: Planet Godrej, Tower 4,
Flr 21, Simplex Mills Compound,
Nr Jacobs Mahalaxmi,
Mumbai 400011.

Fincare Small Finance Bank Limited

Pillar III Disclosure

DF-1- Scope of Application

The framework of disclosures applies to Fincare Small Finance Bank Limited (hereinafter referred to as the Bank) which started Banking Operations on 21st Jul 2017. Disclosure are made as a standalone entity since the Bank does not have any subsidiary.

a). Capital Structure

As per Reserve Bank of India (RBI) capital adequacy norms, capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital of the Bank consists of paid-up share capital, share premium, statutory reserves, revenue & other disclosed free reserves reduced by first loss credit enhancement in the form of fixed deposit and Intangibles. Tier-2 capital consists of Sub-debts, general provisions & loss reserves reduced by First loss credit enhancement in the form of fixed deposit.

b). Equity Capital

As on Mar 31st, 2018, the Bank has authorized share capital of ₹ 5,000 Lakh, comprising of 50,000,000 equity shares of ₹ 10 each and has subscribed and paid up capital of ₹ 3745.94 lakh comprising of fully paid up 37,459,354 shares of ₹ 10 each. During the year ended 31st Mar 2018, the Bank has not allotted any equity shares.

c). Capital Funds:

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
Share Capital	3,746
Reserves and surplus	39,764
Profit/Loss for the year	(9,755)
Goodwill	(471)
Intangible Assets	(497)
Credit Enhancement under securitisation- Cash Collateral	(312)
Credit Enhancement under securitisation - Book debt collateral	(726)
Deferred Tax asset	-
Total Tier I Capital	31,749
Sub debt	9,500
General Provision & Std Assets Provisions	727
Credit Enhancement under securitisation- Cash Collateral	(312)
Credit Enhancement under securitisation - Book debt collateral	(726)
Total Tier II Capital	9,189
Total Capital Fund (Tier I & II)	40,938

DF-2- Capital Adequacy

Fincare Small Finance Bank Limited (hereinafter to be referred as the Bank) is subject to RBI Master Circular on Basel II Capital Regulations issued on July 1st 2008 and amendments thereto issued on time to time by RBI.

The revised framework consists of three mutually reinforcing Pillars viz.

- Minimum Capital Requirement.
- Supervisory review of Capital Adequacy.
- Market Discipline.

The Pillar 1 framework offers three distinct options for computing capital requirement for credit risk and three other options for computing capital requirement for operational risk.

The Bank is subject to guidelines prescribed in the RBI Master Circular on Capital Regulation Base II Jul 2008. The bank has adopted standardized approach for Credit Risk for Computation of Capital Risk Adequacy Ratio (CRAR). Currently the Bank is not considering the Market risk and Operational risk for computation of CRAR.

Minimum Capital requirement

As per the operating guidelines for Small Finance Bank Limited is required to maintain Capital Risk Adequacy Ratio of 15 % with Common Equity Tier I of 6%.

On 31st Mar 2018, the Bank has a healthy Capital Risk Adequacy Ratio of 23.30 % which is well above the minimum capital adequacy requirement and Common Equity Tier 1 of 18.07 % which is above the requirement of 6%.

Assessment of adequacy of Capital to support current and future activities

The Bank has a policy on Internal Capital Adequacy Assessment Process (ICAAP) which is approved by the Board of Directors (Board). Under ICAAP, the Bank determines whether it has adequate level of capital to meet regulatory norms, current and future business needs, including stress scenarios. Bank's ICAAP evaluates and documents all risks and substantiates appropriate capital allocation for not only risks identified under Pillar 1 (i.e. Credit, Market and operational risk) but for the ones identified under Pillar 2 as well.

ICAAP enables the Bank to evaluate the adequacy of capital to take care of the future business growth and various other risks that the Bank is exposed to, so that the minimum capital required is maintained on a continuous basis and at the times of changing economic

conditions/economic recession. The Bank considers both quantifiable and non-quantifiable risks while assessing capital requirements. The Bank considers the following risks as material and has considered these while assessing its capital requirements:

- Credit Risk
- Interest Rate Risk in banking Book
- Liquidity Risk
- Credit Concentration Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Loss of Key Personnel
- Model Risk
- Residual Risk of Securitisation

Monitoring and reporting

The Board of Directors of Fincare Small Finance Bank maintains an active oversight over the Bank's capital adequacy levels. On a quarterly basis, an analysis of the capital adequacy position and the risk weighted assets and an assessment of the various aspects of Basel II on capital and risk management as stipulated by RBI, are reported to the Board.

Common Equity Tier I, Tier I and Total Capital Ratio

Particulars	As at 31 st Mar 2018
Common equity tier 1 capital ratio (%)	18.07%
Tier 1 capital ratio (%)	18.07%
Tier 2 capital ratio (%)	5.23%
Total Capital Ratio (CRAR) (%)	23.30%

Table DF-3: Credit Risk: General Disclosures for All Banks Qualitative Disclosures

Credit Risk Management at a holistic level encapsulates the Bank's approach to approving and managing credits and aims at making the systems and controls effective. The Board of directors is overall responsible for Risk management within the Bank, including credit risk. The Risk Management Committee of the Board (RMCB) oversees the functioning of Credit Risk Management Department (CRMD) which drives identification, measurement, monitoring and reporting of Credit Risk within the Bank. CRMD is an independent Department headed by Chief Risk Officer (CRO). The CRO reports to the RMCB and administratively to CEO. CRMD is independent of Business and Credit functions and is responsible for protecting the quality of the entire loan portfolio.

The Board approved Credit Risk Policy of the Bank

provides a framework for managing credit risks so as to promote quality assets, profitable relationships and prudent growth by leveraging on our Bank's strong franchise, traditional client base in key geographies considering the customer segment, heightened competition and thinning spreads.

Independent Business and Credit functions are first line of defence and responsible for day-to-day management of credit risk. The respective units formulate various internal controls to ensure adherence to various risk management policies, procedures and guidelines.

The CRMD estimates and recommends overall credit risk appetite of the Bank, which is reviewed and approved by the Board. The department defines the risk assessment systems, monitor quality of loan portfolio, develop MIS and undertake loan review. The Risk MIS to top management provides adequate information on the composition of the credit portfolio, including identification of any concentration of risk. The

department also enforces and monitors compliance of the risk parameters and prudential limits set by the Risk Management Committee of the Board.

Credit risk measurement, mitigation, monitoring & reporting systems

- **Credit Origination, underwriting**

Retail:

The retail portfolio consists of JLG Microfinance Loans, Loan against Gold and Loan against property. The JLG Microfinance Loans is templated low ticket size product and has standard underwriting norms catering to the base of the pyramid segment of customers. Other products such as Loan against Gold and Loan against property have dedicated credit teams performing systematic credit assessment and valuation of collateral. The underwriting norms for each product are well defined in relevant policies and embedded in credit procedures.

Wholesale Segment:

There is a separate vertical handling wholesale Corporate Loans. Detailed Board approved Underwriting standards exist for this segment. A centralised credit team, which is independent of business team, performs the assessment and provides recommendations. The sanction is done by independent credit committee.

Treasury Counterparties:

Limits to Counterparties for money market products are assessed by Treasury Mid-office team and approved by the Board.

Exposures beyond certain threshold will be reviewed and approved by the Credit Committee as per delegation of powers defined for each product.

- **Delegation of powers:**

Board approved delegation of powers exist for various products and it covers various exceptions and deviations approval as well. The credit sanctions are subject to review by the next higher authority to ensure proper matrix oversight and review. The credit underwriting in wholesale segment is subject to approval of Credit Committee and has a separate delegation matrix approved by the Board.

- **Post sanction review and monitoring:**

Given that the health of the Bank's asset book is the aggregate of the performance of individual credits, monitoring of individual credits through follow up and management of entity level risks on an on-going basis through periodic reviews, assessing early warning signals, ensuring end use of funds, security monitoring, LTV tracking, tracking of all exceptions, deviations, etc. contribute to maintaining credit portfolio health. In addition, monitoring of macro-economic factors and market conditions are also done.

Risk based Field monitoring framework has been put in place to monitor the MFI portfolio. Additionally, detailed Credit Risk dashboard is published monthly which cover critical aspects such as product-wise asset quality and delinquencies in various buckets: 1+ days, 30+ days, 60+ days, 90+ days, NPA and write off. Static pool analysis is done to identify delinquency trends and same is studied for various products and geographies to enable timely action. The Loan to value (LTV) and collateral values are also closely monitored and action initiated as necessary like margin calls. Early warning exercise is also carried out periodically for proactive management of such accounts.

For wholesale customers, detailed tracking of company performance, any external credit rating migration, reporting of delinquencies by other banks via CRILC reporting, etc. are done by credit and credit risk teams to ensure timely detection of developments.

- **Recovery & write off guidelines:**

The Bank has collection and recovery guidelines and the objective is to ensure efficient collection and recovery practices in a cost effective and ethical manner. The teams focus on soft collection efforts in early delinquency buckets while effectively identifying and managing serious delinquency behaviour. The Bank has well defined legal processes including initiating action under SARFAESI Act. The ultimate aim is to reduce write off portfolio losses.

- **Periodic Reviews:**

Independent Internal audit team which conducts annual audits and thematic audits.

- **Definition and classification of non-performing assets (NPAs):**

The Bank is guided by RBI prescribed Income recognition & Asset classification (IRAC) guidelines.

Advances are classified into performing and non-performing advances (NPA) based on the RBI guidelines. 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 norms. The Bank has product specific guidelines for doubtful and loss classification.

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

The above classification is provided based on Management's estimates which are more prudent than the classification and provision norms as per RBI's Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, issued on 01st Jul 2015.

Quantitative Disclosures

FUND BASED AND NON-FUND BASED EXPOSURES AS ON 31ST MAR 2018

(Amount in ₹ Lakh)

FUND BASED EXPOSURE	CREDIT EXPOSURE
Gross Advances	1,63,365*
Investments	27,271*
All Other assets	37,181
TOTAL FUND BASED EXPOSURE	2,27,817
NON-FUND BASED EXPOSURE	33,892[#]
TOTAL FUND BASED AND NON-FUND BASED EXPOSURES	2,61,709

*Gross Advances is net of IBPC and includes NPA Provisions. Investments are taken at Book value.

[#]Non-fund based exposure represents the securitized portfolio and guarantee provided for such transactions.

GEOGRAPHIC DISTRIBUTION OF EXPOSURES AS ON 31ST MAR 2018

(Amount in ₹ Lakh)

EXPOSURES	DOMESTIC	OVERSEAS	TOTAL
FUND BASED EXPOSURE	2,27,817	NIL	2,27,817
NON-FUND BASED EXPOSURE	33,892	NIL	33,892
TOTAL FUND BASED AND NON-FUND BASED EXPOSURES	2,61,709	NIL	2,61,709

RESIDUAL CONTRACTUAL MATURITY BREAKUP OF ASSETS

Break up as on 31ST Mar 2018

(Amount in ₹ Lakh)

Time Buckets	Advances	Investments
Day 1	1	4,240
2 to 7 days	1,623	4,006
8 to 14 days	2,045	786
15 to 30 days	4,326	2,929
31 days to 2 months	8,649	347
2 months to 3 months	8,920	1,413
Over 3 month & up to 6 month	26,213	1,670
Over 6 Month & up to 1 year	41,868	1,333
Over 1 year & up to 3 years	60,473	9,479
Over 3 years & up to 5 years	7,143	1,066
Over 5 years	2,104	2
Total	1,63,365	27,271

*Total Gross Advances includes NPA provisions.

NON-PERFORMING ASSETS/NPA Ratios/NPA Movement

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
(i) Gross NPAs to Net Advances (%)	0.94%
(ii) Net NPAs to Net Advances (%)	0.72%
(iii) Movement of NPAs (Gross)	
(a) Opening balance	592
(b) Additions during the year	15,000
(c) Reductions during the year	13,870
(d) Closing balance	1,722
(iv) Movement of Net NPAs	-
(a) Opening balance	287
(b) Additions during the year	11,332
(c) Reductions during the year	10,302
(d) Closing balance	1,317
(v) Movement of provisions for NPAs (excluding provision on standard assets and floating provision)	-
(a) Opening balance	305
(b) Provision made during the year	4,031
(c) Write off/write back of excess provision	3,931
(d) Closing balance	405

WRITE OFF & RECOVERIES

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
Gross NPAs as on 1 st Apr of particular year (Opening Balance)	592
Additions (Fresh NPAs) during the year	15,000
Sub-total (A)	15,592
(ii) Recoveries (excluding recoveries made from upgraded accounts)	931
(iii) Technical/Prudential Write offs	12,939
(iv) Write offs other than those under (iii) above	-
Sub-total (B)	13,870
Gross NPAs as on 31 st Mar of following year (closing balance) (A-B)	1,722
Opening balance of Technical/Prudential written off accounts as at 1 st Apr	6,789
Add: Technical/Prudential write offs during the year	12,939
Sub-total (A)	19,728
Less: Recoveries made from previously technical/prudential written off accounts during the year (B)	803
Closing balance as at 31st Mar (A-B)	18,925

Note: The Bank has nil Non-performing investments as on 31st Mar 2018.

DF-4: Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Ratings used under Standardized Approach:

The Bank adheres to the RBI guidelines stipulated in Basel II Capital Regulations issued on 01st Jul 2015.

Quantitative Disclosures

Bank's exposure (rated and unrated) after risk mitigation subject to the standardized approach in the following three major risk buckets as well as those that are deducted:

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
At 0% risk weight	44,004
Below 100% risk weight	17,615
100% risk weight	1,40,095
More than 100% risk weight	25,696
Deducted (Intangible Assets and first loss credit enhancement in the form of fixed deposit)	5,151

DF-5- Credit Risk Mitigation for Standardised Approach

Qualitative Disclosures:

Application of Credit Risk Mitigants

The Bank can use number of techniques to mitigate the credit risks, it is exposed to. Credit Risk Mitigants have the effect of reducing the net exposure for application of risk weights. Credit Risk Mitigation techniques classified as eligible for reduction in the net exposure include:

- i. Eligible financial collateral
- ii. Guarantees
- iii. On-balance sheet netting
- iv. Application of Risk Weights

The Bank adheres to the RBI guidelines defined under the RBI Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) for application of risk weights for credit risk measurement and capital computation purposes.

Types of Financial collateral: the Bank takes the following types of financial collateral

- Cash and deposits with the Bank
- Gold jewellery

Market risk element in collateral: Gold is a commodity and is subject to price fluctuations. The Bank has a system of calculating daily mark-to-market and necessary actions are initiated such as margin calls are made in case of shortfall. Thus minimum LTV thresholds are ensured.

Guarantors and credit worthiness: The Bank has not taken any benefit of guarantors while computing capital charge.

Quantitative Disclosures:

Credit Risk Portfolio covered by the eligible financial collateral after the application of haircut

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
Loan Against Gold	2014
Overdraft against Fixed Deposit	136

DF-6- Securitisation Exposures: Disclosure for Standardised Approach

Qualitative Disclosures: The Bank's primary objective of securitisation activities is to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funding.

The Bank has adopted Securitisation Policy which is in alignment with the revised guidelines on securitisation 7th May 2012 issued by the Reserve Bank of India on Securitisation.

The said guidelines define the Assets eligible for securitisation, Minimum Holding Period (MHP), Minimum Retention Requirement (MRR), Limit on Total Retained Exposures, booking of profit for the PAR and Premium securitisation transactions, Deduction of Securitisation Exposures from Capital funds, True Sale and Disclosures by the Originating Banks.

The Bank undertakes securitisation transactions mainly as an originator and undertake the transaction with the following scope as:

- 1. Structurer:** Structuring appropriately in a form and manner suitably tailored to meet investor requirements, while being compliant with extant regulations;
- 2. Provider of credit enhancement facilities:** Addressing delinquencies associated with the underlying assets, i.e. bridging the gaps arising out of credit considerations between cash flows received/collected from the underlying assets and the fulfilment of repayment obligations to the beneficiaries;

3. Provider of collection and processing services:

Collecting and/or managing receivables from underlying obligations, contribution from the investors to securitisation transactions, making payments to counterparties/appropriate beneficiaries, reporting the collection efficiency and other performance parameters and providing other services relating to collections and payments as may be required for the purpose of the transactions.

Accounting Policy on transfer and servicing of Assets

The Bank transfers loans through securitisation transactions. The transferred loans are de-recognised when the Bank surrenders the right of benefits specified in the underlying securitised loan contracts.

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 statement of profit and loss, net of any losses, when redeemed in cash.

Quantitative Disclosures:

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
a) No of SPVs sponsored by the Bank for securitisation transactions (Nos.)	21
b) Total amount of securitised assets as per books of the SPVs sponsored by the Bank (₹)	30,620
c) Securitised Losses booked during the year (₹)	13
d) Amount of assets intended to be securitised within a year (₹)	90,000
e) Of (d), amount of assets originated within a year before securitisation. (₹)	90,000
f) 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	4,183
Others	-

Heading: Quantitative Disclosures:

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
Amount of exposures to securitisation transactions other than MRR	
a) Off-balance sheet exposures (₹)	-
(i) Exposures to own securitisations (₹)	
First loss	1,751
Loss	-
(ii) Exposures to third party securitisations (₹)	
First loss	-
Others	-
b) On-balance sheet exposures (₹)	
(i) Exposures to own securitisations (₹)	
First loss	-
Loss	3,554
(ii) Exposures to third party securitisations (₹)	
First loss	-
Others	-
g) Aggregate amount of securitisation exposures that are deducted entirely from Tier 1 capital (₹)	2,092

DF-7- Market Risk in Trading Book

Qualitative Disclosures: Market Risk in Trading book ('Held for trading' and 'Available for sale' categories) covers potential impact due to interest rate risks and equity price risk. At present, the Bank does not deal in foreign exchange and hence exchange risk is not applicable.

The investment activities are governed mainly by Investment Policy, Market Risk Policy and ALM policy. These policies define the overall risk appetite, various risk and loss limits such as stop loss, Mduration thresholds, PV01 thresholds, Product limits, Credit rating hurdle rates for Non-SLR investments.

These parameters are monitored by Treasury Mid-Office and reported to ALCO, RMCB and Board at prescribed intervals. The Investment Committee oversees the trading activities of the Banks and folds into ALCO. The credit risk aspects in trading book are managed and overseen by the credit Committee of the Bank.

Quantitative Disclosures: Since Small Finance Banks need not provide capital charge towards market risk, no separate capital charge has been provided as on 31st Mar 2018. The same has been qualitatively assessed under pillar 2 in ICAAP exercise.

DF-8- Operational Risk

The Operational Risk Management covers all risks other than credit and market risk. It includes risks arising from people, process, products and external environment. The

Bank is governed by Board approved Operational Risk Management Policy.

Information security and Cyber security aspects are also covered therein, however considering their vast coverage, relevant aspects are covered by separate policies and monitored by dedicated Information & cyber security committees.

The Operational Risk Management function is managed by Operational Risk Management Group (ORMG). ORMG reports to Chief Risk Officer. There is an Operational Risk Management Committee headed by MD & CEO and meets at quarterly frequency. ORMG folds into Risk Management Committee of the Board (RMCB).

The Bank has adopted three lines of defence model and has built processes basis tenets of segregation of duties, four eye principle and system controls for all critical processes and activities.

Risk identification: ORMG uses Risk and Control Self Assessment (RCSA) tool and incident management activity to systematically identify various risks that the Bank is exposed to.

Risk Measurement & Monitoring: Given the Bank has large retail portfolio, dedicated field monitoring team monitors JLG activities. ORMG also conducts periodic key control testing to assess the effectiveness of various controls.

Small Finance Banks are currently exempt from providing any capital charge towards Operational risk. Therefore operational risk has been qualitatively assessed.

DF-9- Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures: Interest rate risk refers to the potential impact on earnings and market value of equity due to changes in interest rates. The earning of assets and the cost of liabilities are now closely related to market interest rate volatility as net interest rates are de-regularized. Any mismatch in the cash flows or repricing dates, therefore, exposes the risk on net interest income and net interest margin.

IRRBB refers to interest rate risk pertaining to entire balance sheet other than trading book. Board of Directors are responsible for overall management of IRRBB. It has delegate it to RMCB which in turn oversees the functioning of Asset Liability Management Committee (ALCO). ALCO is a management level committee chaired by MD & CEO and is a decision-making unit responsible for balance sheet planning from risk-return perspective

including strategic management of interest rate and liquidity risks.

Management of interest rate risk is governed by Board approved ALM Policy, Investment policy and Market Risk Policy. The framework covers measurement, monitoring and management of IRRBB. The measures include gap analysis - Traditional & Duration Gap analysis. Board approved thresholds are defined for various gaps and monitored by ALCO. Stress testing is also performed annually covering scenarios such as parallel and non-parallel shifts in yield curve to assess the likely impact of interest rate changes on banking book.

IRRBB was also assessed under Pillar 2 assessment under ICAAP. Since the changes in MVE for prescribed shock levels were well within defined norms, no capital allocation was made towards the same.

Quantitative Disclosures:

Changes in EaR and MVE for 100 bps parallel shift in yield curve as on 31st Mar 2018

Figures in ₹ Lakh	+ 100 bps parallel shift	-100 bps parallel shift
Market value of Equity-MVE (₹)	(505) Lakh	505 Lakh
Earnings at Risk- EaR (₹)	117 Lakh	(117) Lakh

DF-10- General Disclosure for Exposures Related to Counterparty Credit Risk

Disclosures: The Bank does not have any exposures to derivatives and hence no specific disclosure

DF-16- Equities - Disclosure for Banking Book Positions

Qualitative Disclosures

- Bank has Board approved policy on investments in equity.
- Bank is permitted to hold such investments in Held for trading and Available for sale categories.
- Any investment in equities will be approved by Investment committee and will be in line with prudential
- Guidelines relating to capital market exposures.
- The equity holdings will be valued as per guidelines outlined in the accounting policy of the Bank and regulatory guidelines.

Quantitative Disclosures

The Bank has nil exposure to equities as during the year and as on 31st Mar 2018.

DF - 18 Leverage Ratio

(Amount in ₹ Lakh)

Particulars	As at 31 st Mar 2018
1. On-balance sheet items (excluding derivatives and SFTs but including collateral)	2,23,265
2. Balance sheet assets deducted from Tier 1 capital and not reckoned for exposure measure above	2,006
3. Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1) and 2))	2,21,259
Derivative exposures	-
4. Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5. Add-on amounts for PFE associated with all derivatives transactions	-
6. Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7. (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8. (Exempted CCP leg of client-cleared trade exposures)	-
9. Adjusted effective notional amount of written credit derivatives	-
10. (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11. Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures	-
12. Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13. (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14. CCR exposure for SFT assets	-
15. Agent transaction exposures	-
16. Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures	-
17. Off-balance sheet exposure at gross notional amount	33,892
18. (Adjustments for conversion to credit equivalent amounts)	-
19. Off-balance sheet items (sum of lines 17 and 18)	33,892
Capital and total exposures	-
20. Tier 1 capital	31,749
21. Total exposures (sum of lines 3, 11, 16 and 19)	2,55,151
Leverage ratio	-
22. Basel III leverage ratio (%)	12.44%



FINANCIAL STATEMENTS

Independent Auditor's Report

To the Members of Fincare Small Finance Bank Limited (formerly Disha Microfin Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of Fincare Small Finance Bank Limited (formerly Disha Microfin Limited) ("the Company" or "the Bank"), which comprise the Balance Sheet as at 31st Mar 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 specified 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 the 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; safeguarding the assets of the Bank; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend

on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

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.

Opinion

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 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st Mar 2018, and its loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 1 of Schedule 17 to the financial statements which describes that the RBI has granted a small finance bank license to the Company on 12th May 2017, consequent to which the Company commenced its operations as a small finance bank with effect from 21st Jul 2017. The Company has changed some of its accounting policies as compared to previous financial year to ensure compliance with the relevant RBI guidelines, and hence, the corresponding figures are not entirely comparable with those of the current year ended 31st Mar 2018. Further, the corresponding disclosures for the current financial year ended 31st Mar 2018 has been provided only to the extent such disclosures were applicable in the previous financial statements as well.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

As required by Section 30(3) of the Banking Regulation Act, 1949, we report that:

- 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;
- the transactions of the Bank, which have come to our

- notice, have been within the powers of the Bank;
- the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit.

Further, as required by Section 143(3) of the Act, we report that:

- 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;
 - 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;
 - the financial statements dealt with by this report are in agreement with the books of account;
 - in our opinion, the aforesaid financial statements comply with the Accounting Standards specified 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;
 - on the basis of the written representations received from the directors as on 31st Mar 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st Mar 2018 from being appointed as a director in terms of Section 164(2) of the Act;
- we have also audited the internal financial controls over financial reporting (IFCoFR) of the Bank as of 31st Mar 2018 in conjunction with our audit of the financial statements of the Bank for the year ended on that date and our report dated 30th Apr 2018 as per Annexure I expressed unqualified opinion.
 - 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, in our opinion and to the best of our information and according to the explanations given to us:
 - as detailed in Schedule 12 to the financial statements, the Bank has disclosed the impact of pending litigations on its financial position;
 - the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank;
 - the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8th Nov 2016 to 30th Dec 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Banthia**

Partner

Membership No.: 061068

Place : Bengaluru

Date : 30th Apr 2018

Annexure I to Audit Report

Annexure I to the Independent Auditor's Report of even date to the members of Fincare Small Finance Bank Limited (formerly Disha Microfin Limited), on the financial statements for the year ended 31st Mar 2018.

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

In conjunction with our audit of the financial statements of Fincare Small Finance Bank Limited (formerly Disha Microfin Limited) ("the Bank") as at and for the year ended 31st Mar 2018, we have audited the internal financial controls over financial reporting (IFCoFR) of the Bank of as of that date.

Management's Responsibility for Internal Financial Controls

The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on control criteria in accordance with the Internal Control Framework defined in Appendix 1 to Standards of Auditing (AS) 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment" ("the framework"). 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, 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 IFCoFR were 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 IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, 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 IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

A bank's IFCoFR 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 IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable 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 over Financial Reporting

Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR 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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st Mar 2018, based on the framework.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per Sanjay Banthia

Partner

Membership No.: 061068

Place: Bengaluru

Date: 30th April 2018

Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

	Schedule	As at 31 st Mar 2018	As at 31 st Mar 2017
Capital and liabilities			
Capital	1	3,746	3,746
Reserves and surplus	2	30,009	39,764
Deposits	3	72,710	-
Borrowings	4	1,06,898	63,110
Other liabilities and provisions	5	14,049	13,158
Total		2,27,412	1,19,778
Assets			
Cash and balances with Reserve Bank of India	6	4,765	73
Balances with banks and money at call and short notice	7	20,386	30,914
Investments	8	27,271	-
Advances	9	1,62,960	77,720
Fixed assets	10	2,230	880
Other assets	11	9,800	10,191
Total		2,27,412	1,19,778
Contingent liabilities	12	9,557	10,743
Bills for collection		-	-
Significant accounting policies and notes to the financial statements	17 & 18		
Schedules referred above form an integral part of the Balance Sheet			

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Banthia**
Partner
Bengaluru
30th Apr 2018

**For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited**
(formerly Disha Microfin Limited)

Pramod Kabra
Director
DIN: 02252403
Bengaluru
30th Apr 2018

Rajeev Yadav
Director
DIN: 00111379
Bengaluru
30th Apr 2018

Sunil Gulati
Director
DIN: 00016990
Bengaluru
30th Apr 2018

Keyur Doshi
Chief Financial Officer
Bengaluru
30th Apr 2018

Shafaly Kothari
Company Secretary
M No. F7698
Bengaluru
30th Apr 2018

Statement of Profit and Loss for the year ended 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

	Schedule	As at 31 st Mar 2018	As at 31 st Mar 2017
I. Income			
Interest earned	13	31,408	16,739
Other income	14	3,653	1,815
Total		35,061	18,554
II. Expenditure			
Interest expended	15	11,891	6,559
Operating expenses	16	17,805	10,234
Provision and contingencies	18.14	15,120	893
Total		44,816	17,686
III. Profit/(loss)			
Net profit/(loss) for the year		(9,755)	868
Balance in profit and loss brought forward from previous year		1,800	1,106
Total		(7,955)	1,974
IV. Appropriation			
Transfer to statutory reserves		-	174
Transfer to other reserves		-	-
Transfer to capital reserves		-	-
Balance carried over to balance sheet		(7,955)	1,800
Total		(7,955)	1,974
Significant accounting policies and notes to the financial statements	17 & 18		
Earnings per equity share of ₹10 each			
Basic and diluted (₹)	18.34	(26.04)	3.91
Face Value per share (₹)		10	10
Schedules referred above form an integral part of the Statement of Profit and Loss			

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Banthia**
Partner
Bengaluru
30th Apr 2018

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)

Pramod Kabra
Director
DIN: 02252403
Bengaluru
30th Apr 2018

Rajeev Yadav
Director
DIN: 00111379
Bengaluru
30th Apr 2018

Sunil Gulati
Director
DIN: 00016990
Bengaluru
30th Apr 2018

Keyur Doshi
Chief Financial Officer
Bengaluru
30th Apr 2018

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
30th Apr 2018

Cash Flow Statement for the year ended 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

	Year ended 31 st Mar 2018	Year ended 31 st Mar 2017
A. Cash flows from operating activities:		
Profit before tax	(8,984)	1,307
Adjustments for:		
• Depreciation and amortisation expenses	702	257
• Amortisation of premium	41	-
• (Gain)/Loss on disposal of fixed assets	18	-
• Loan portfolio written off	12,939	735
• Provision on portfolio loans	1,410	346
• Employee wealth share plan expense	-	64
• Share/debenture issue expenses	-	87
• (Profit)on sale of investment	(3)	-
• Loss on sale of investment	210	-
• (Profit)on sale of investment in mutual funds	(562)	(458)
Operating profits before working capital changes	5,770	2,338
Movement in working capital		
• Increase in deposits	72,710	-
• (Decrease) in other liabilities	957	(2,495)
• (Decrease) in Investments (Net)	(27,519)	-
• (Increase) in loans and advances	(98,279)	(27,316)
• (Increase) in other assets	(1,614)	-
• Decrease in other assets	-	7,108
Cash (used in) operating activities	(47,975)	(20,365)
Taxes on income paid, net	(142)	(1,021)
Net cash used in operating activities	(48,118)	(21,386)
B. Cash flows from investing activities		
• Purchase of fixed assets	(2,072)	(499)
• Proceeds from sale of fixed assets	2	1
• Payment towards purchase of business, (net of cash acquired)	-	(10,087)
• Investment in fixed deposits	-	(3,101)
• Proceeds from fixed deposits	83,812	-
• Investment in Fixed Deposit	(80,848)	-
• Investment in Inter- Bank Lending	-	-
• Purchase of investments in mutual funds	(2,99,395)	(1,70,100)
• Proceeds from sale of investments in mutual funds	2,99,958	1,70,558
Net cash used in investing activities	1,457	(13,228)
C. Cash flows from financing activities		
• Proceeds from issue of equity shares	-	38,277
• Share/debenture issue expenses	-	(87)
• Proceeds from loans availed from banks and financial institutions	80,576	50,950
• Repayment of loans availed from banks and financial institutions	(47,913)	(35,835)
• Loans taken from related parties	-	9,000
• Loans repaid to related parties	-	(9,000)
• Proceeds from issue of non-convertible debentures	12,500	3,500
• Redemption of non-convertible debentures	(1,375)	(2,184)
Net cash generated from financing activities	43,788	54,621
Net increase in cash and cash equivalents during the year (A+B+C)	(2,872)	20,007
Cash and cash equivalents at the beginning of the year	24,455	4,448
Cash and cash equivalents at the end of the year	21,583	24,455

Cash Flow Statement for the year ended 31st Mar 2018 (Cont'd)

(All amounts in ₹ Lakh except otherwise stated)

	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Components of cash and cash equivalents		
Cash and balances with Reserve Bank of India	4,765	73
Balances with banks and money at call and short notice	16,818	24,382
	21,583	24,455

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Banthia**
Partner
Bengaluru
30th Apr 2018

**For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited**
(formerly Disha Microfin Limited)

Pramod Kabra
Director
DIN: 02252403
Bengaluru
30th Apr 2018

Rajeev Yadav
Director
DIN: 00111379
Bengaluru
30th Apr 2018

Sunil Gulati
Director
DIN: 00016990
Bengaluru
30th Apr 2018

Keyur Doshi
Chief Financial Officer
Bengaluru
30th Apr 2018

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
30th Apr 2018

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 1 - Capital	As at 31st Mar 2018	As at 31st Mar 2017
Authorised capital 50,000,000 (previous year: 40,000,000) equity shares of ₹ 10 each	5,000	4,000
Issued, subscribed and fully paid-up capital 37,459,354 (previous year: 37,459,354) equity shares of ₹ 10 each	3,746	3,746
	3,746	3,746

Rights and preference of equity shareholders

Each holder of an equity share is entitled to one vote per share. The Bank declares and pays dividends 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 31st Mar 2018	As at 31st Mar 2017
I. Statutory reserve (Created pursuant to Section 17(2) of Banking Regulation Act, 1949)		
Opening balance	-	-
Transfer from statutory reserve (refer Schedule 2(II))	450	-
Addition during the year	-	-
	450	-
II. Statutory reserve (Created pursuant to Section 45 IC of Reserve Bank of India Act, 1934 as amended by Reserve Bank of India (Amendment) Act, 1997)		
Opening balance	450	276
Addition during the year	-	174
Transfer to statutory reserve (refer Schedule 2(I))	(450)	-
	-	450
III. Share premium account		
Opening balance	37,513	2,004
Addition during the year	-	35,509
	37,513	37,513
IV. General reserves		
Opening balance	1	1
Addition during the year	-	-
	1	1
V. Surplus in statement of profit and loss	(7,955)	1,800
	30,009	39,764

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 3 - Deposits	As at 31st Mar 2018	As at 31st Mar 2017
A. I. Demand deposits	-	-
-from banks	1	-
-from others		
	1	-
II. Savings bank deposits	3,675	-
III. Term deposits		
-from banks	47,361	-
-from others	21,673	-
	69,034	-
	72,710	-
B. I Deposits of branches in India	72,710	-
II. Deposits of branches outside India	-	-
	72,710	-

Schedule 4 - Borrowings	As at 31st Mar 2018	As at 31st Mar 2017
I. Borrowings in India		
-Reserve Bank of India	-	-
-Other banks (*)	33,882	40,266
- Other institution and agencies		
a) Government of India	-	-
b) Financial Institution (*)	57,766	18,719
-Borrowings in the form of bonds and debentures (*) (excluding sub-ordinated debts)	5,250	4,125
-Unsecured redeemable debentures/bonds (sub-ordinated debt included in Tier II capital)	10,000	-
	106,898	63,110
II. Borrowings outside India	-	-
	106,898	63,110

(*) includes secured borrowings of ₹ 28,215 Lakh (31st Mar 2017: ₹ 55,347 Lakh)

Schedule 5 - Other liabilities and provisions	As at 31st Mar 2018	As at 31st Mar 2017
I. Bills payable	-	-
II. Inter-office adjustments (net)	-	-
III. Interest accrued	1,570	525
IV. Others (including provisions) (*)	12,479	12,633
	14,049	13,158

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

*Others (including provisions)	As at 31st Mar 2018	As at 31st Mar 2017
Interest strip on securitisation/assignment of portfolio loans	3,554	4,930
Payable towards securitisation/assignment of loans	2,315	3,492
Unamortised income on securitisation/assignment of loans	5	667
Collateral against rural loan against property	74	410
Provision on standard assets	727	1,397
Provision for loss on assigned assets	2,108	171
Provision for other contingency	78	36
Tax deducted at source payable	151	81
Statutory liability payable	282	143
Accrued expenses	759	443
Accrued employee expenses	835	516
Provision for gratuity	183	65
Provision for compensated absences	283	146
Advances towards deposits	62	-
Loan against property pending disbursement	682	-
Payable to deposit holders	24	-
Other liabilities	357	136
	12,479	12,633

Schedule 6 - Cash and balances with Reserve Bank of India	As at 31st Mar 2018	As at 31st Mar 2017
I. Cash in hand	517	73
II. Balances with Reserve Bank of India in current account	4,248	-
	4,765	73

Schedule 7 - Balances with banks and money at call and short notice	As at 31st Mar 2018	As at 31st Mar 2017
I. In India		
i) Balances with banks		
- in current accounts	3,818	12,282
- in other deposit accounts (*)	3,568	18,632
	7,386	30,914
ii) Money at call and short notice with other institutions	13,000	-
	13,000	-
	20,386	30,914
II. Outside India	-	-
	20,386	30,914

(*) includes ₹ 415 Lakh (31st Mar 2017: ₹ 2,074 Lakh) under lien marked towards term loans availed from banks and financial institutions and cash collateral amounting to ₹ 2,731 Lakh (31st Mar 2017: ₹ 4,455 Lakh) placed in connection with assignment/securitisation of advances.

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 8 - Investments	As at 31st Mar 2018	As at 31st Mar 2017
I. Investment in India in		
- Government securities	27,271	-
	27,271	-
II. Investment outside India	-	-
	-	-
	27,271	-
III. Investments		
Gross value of investments		
- in India	27,271	-
- outside India	-	-
	27,271	-
Provision for depreciation		
- in India	-	-
- outside India	-	-
	-	-
Net value of investments		
- in India	27,271	-
- outside India	-	-
	27,271	-

Schedule 9 - Advances	As at 31st Mar 2018	As at 31st Mar 2017
A. i) Bill purchased and discounted	-	-
ii) Cash credits, overdraft and loans Repayable on demands	158	-
iii) Term loans (*)	1,62,802	77,720
	1,62,960	77,720
B. i) Secured by tangible assets	29,927	-
ii) Covered by banks/Government guarantees	-	-
iii) Unsecured	1,33,033	77,720
	1,62,960	77,720
C. I. Advances in India		
- Priority sectors	1,32,800	-
- Public sector	-	-
- Banks	-	-
- Others	30,160	77,720**
	1,62,960	-
C. II. Advances outside India	-	-
	1,62,960	77,720

(*) net of provision of non-performing assets amounting to ₹ 405 Lakh (31st Mar 2017: ₹ 305 Lakh) and Inter bank participation certificate (IBPC) amounting to ₹ 20,000 Lakh (31st Mar 2017: ₹ Nil)

(**) not segregated within categories as not applicable.

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 10 - Fixed assets	As at 31st Mar 2018	As at 31st Mar 2017
A. Premises	-	-
Net Block	-	-
B. Other fixed assets (including furniture and fixtures) (*)		
At cost on 31 st Mar of preceding year	1,324	560
Additions during the year	2,072	766
Deductions during the year	(100)	(2)
	3,296	1,324
Depreciation		
As at 31 st Mar of preceding year	444	188
Charge for the year	702	257
Deductions during the year	(80)	(1)
	1,066	444
Net Block	2,230	880
	2,230	880

(*) including capital work-in progress and intangible assets amounting to ₹ 47 Lakh and ₹ 497 Lakh, respectively (31st Mar 2017: ₹ 6 Lakh and ₹ 112 Lakh respectively)

Schedule 11 - Other assets	As at 31st Mar 2018	As at 31st Mar 2017
I. Inter-office adjustments (net)	-	-
II. Interest accrued	2,767	1,575
III. Tax paid in advance/tax deducted at source	550	418
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Others (*)	6,483	8,198
	9,800	10,191

(*) Others	As at 31st Mar 2018	As at 31st Mar 2017
Loans given as collateral towards asset assignment/Securitized transaction	1,452	1,288
Interest strip on securitisation/assignment of loans	3,554	4,930
Goodwill (refer schedule 18.8 b)	471	471
Deferred tax asset	-	771
Security deposits	456	261
Prepaid expenses	79	26
Advance to suppliers	48	73
Employee advances	24	76
Goods & Services Tax input credit	305	158
Other receivables	94	144
	6,483	8,198

Schedules forming part of the Balance Sheet as at 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 12 - Contingent liabilities	As at 31st Mar 2018	As at 31st Mar 2017
I. Claims against the Bank not acknowledged as debts - taxes (*)	69	69
II. Claims against the Bank not acknowledged as debts - others (**)	9,488	10,674
III. Other items for which the Bank is contingently liable	-	-
	9,557	10,743

(*) The Bank had acquired the assets and liabilities of Future Financial Services Private Limited (FFSPL) via a slump sale on 1st Oct 2016. As part of the acquisition, the Bank has also acquired the ongoing case on service tax on loan protection fee. [Refer schedule 18.8 b].

FFSPL received a show cause notice from the Commissioner of Customs, Central Excise and Service Tax on 17th Sept 2014 with respect to non-payment of service tax on loan protection fees charged by FFSPL for the financial years 2009 - 2012. The aggregate value of service tax payable estimated as per the show cause notice is ₹ 69 Lakh.

Considering the facts and based on an opinion received from their consultant, the Bank believes that the final outcome should be in favour of the Bank and will not have any material adverse effect on the financial position and results of operations. Accordingly no provision is created in the books of accounts for the same.

(**) Claims against the Bank not acknowledged as debts - others	As at 31st Mar 2018	As at 31st Mar 2017
- Cash collateral	2,731	4,455
- Unfunded guarantee	1,751	-
- Principal subordination	1,452	1,289
- Interest subordination	3,554	4,930
	9,488	10,674

Schedules forming part of the Statement of Profit and Loss for the year ended 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 13 - Interest earned	As at 31st Mar 2018	As at 31st Mar 2017
I. Interest/discount on advances/bills	26,598	13,468
II. Income on investments	1,305	-
III. Interest on balances with Reserve Bank of India and other inter-bank funds	576	423
IV. Others (*)	2,929	2,848
	31,408	16,739

(*) Others	As at 31st Mar 2018	As at 31st Mar 2017
Income from securitisation/assignment of loans	2,740	2,830
Interest income on money market instruments	113	-
Interest income on fixed deposit	65	10
Interest on gratuity fund	11	8
	2,929	2,848

Schedule 14 - Other income	As at 31st Mar 2018	As at 31st Mar 2017
I. Commission, exchange and brokerage	1,821	1,290
II. Profit on sale of investments (net)	566	458
(Less): Loss on sale of investments	(210)	-
III. Profit on revaluation of investments (net)	-	-
(Less): Loss on revaluation of investments	-	-
IV. Profit on sale of fixed assets (net) [₹ 26,662 (2017 : ₹ 1,100)]	0	0
(Less): Loss on sale fixed assets	(18)	-
V. Profit on exchange transactions (net)	-	-
VI. Income earned by way of dividends from subsidiaries, companies and/or joint ventures abroad/in India	-	-
VII. Miscellaneous income (*)	1,494	67
	3,653	1,815

(*) Miscellaneous income	As at 31st Mar 2018	As at 31st Mar 2017
Income from sale of Priority Sector Lending Certificate	469	-
Recovery against loans written off	858	-
Income tax refund	17	1
Others	150	66
	1,494	67

Schedules forming part of the Statement of Profit and Loss for the year ended 31st Mar 2018

(All amounts in ₹ Lakh except otherwise stated)

Schedule 15 - Interest expended	As at 31st Mar 2018	As at 31st Mar 2017
I. Interest on deposits	2,374	-
II. Interest on Reserve Bank of India/interbank borrowings	4,887	3,985
III. Others	4,630	2,574
	11,891	6,559

Schedule 16 - Operating expenses	As at 31st Mar 2018	As at 31st Mar 2017
I. Payments to and provisions for employees	11,856	5,178
II. Rent, taxes and lighting (refer schedule 18.31)	976	1,196
III. Printing and stationery	210	128
IV. Advertisement and publicity	192	54
V. Depreciation on bank's property	702	257
VI. Directors' fees/remuneration, allowances and expenses	68	31
VII. Auditors' fees and expenses	40	29
VIII. Law charges	15	16
IX. Postage, telegrams, telephones, etc.	556	275
X. Repairs and maintenance	325	93
XI. Insurance	33	24
XII. Other expenditure (includes professional fees) (*)	2,832	2,953
	17,805	10,234

(*) Other expenditure	As at 31st Mar 2018	As at 31st Mar 2017
Professional fee	1,554	1,719
Travelling and conveyance	544	284
Communication expenses	49	29
Contribution towards CSR expenses	22	14
Bank charges	39	32
Rates and taxes	35	88
Guarantee fees	5	31
Miscellaneous expense	584	756
	2,832	2,953

Schedule 17 - Significant accounting policy forming part of the financial statements for the year ended 31st Mar 2018.

1. Overview

Pursuant to the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on 19th May 2017 and the issue of small finance bank license by the Reserve Bank of India ("RBI") on 12th May 2017, the Company commenced its operations as a small finance bank with effect from 21st Jul 2017. Accordingly, the name of the Company is changed to Fincare Small Finance Bank Limited ("the Bank"). The financial statements for the year ended 31st Mar 2018 have, therefore, been prepared as per relevant RBI guidelines applicable to the Bank. The Bank has accordingly, changed some of its accounting policies as compared to previous financial year to ensure compliance with relevant RBI guidelines and practices that are prevalent in the Banking industry. As a result, the previous year's figures are not entirely comparable with those of the current year ended 31st Mar 2018. Further corresponding disclosures for the current financial year ended 31st Mar 2018, have been provided to the extent they were applicable to the Bank in the previous financial statement.

The Bank's operation include retail and wholesale banking activities. These activities primarily includes 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, and overdraft facility against fixed deposits or properties. The Bank operates in the states of Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh and the Union Territory of Pondicherry.

2. Summary of significant accounting policies

2.1 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 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) and prudential norms on change in ownership.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- i. Interest income on loans is recognised in the Statement of Profit and Loss 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 unrealised will be reversed, as per the income recognition and asset classification norms of RBI;
- ii. Loan processing fees from members are recognised on an upfront basis when it becomes due;
- iii. 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;
- iv. Dividend income is recognised when the right to receive payment is established on the balance sheet date;
- v. All other fees are accounted for as and when they become due.

2.4 Fixed assets

Tangible assets

Tangible assets 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 tangible asset 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 tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss 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 Statement of Profit and Loss when the asset is derecognized.

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.

Schedule 17 - Significant accounting policy forming part of the financial statements for the year ended 31st Mar 2018.

2.5 Depreciation and amortisation

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

(*) Lease period being shorter than the estimated useful life.

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.

2.6 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 statement of profit and loss. 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.

2.7 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') -

Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/Joint Ventures and 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 Statement of Profit and Loss 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 Statement of Profit and Loss. 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 Statement of Profit and Loss 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'), periodically.

Schedule 17 - Significant accounting policy forming part of the financial statements for the year ended 31st Mar 2018.

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.

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 Statement of Profit and Loss. 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 Statement of Profit and Loss until received.

2.8 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 norms.

In case of micro-finance loans, loan against property and loan against gold, NPAs are classified as sub-standard as per RBI guidelines. Further, such NPAs which become overdue for more than 180 days are classified as loss assets.

In case of loan against property with registered mortgage, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 1,095 days are classified as loss assets.

For all other loan types, NPA classification between sub-standard and doubtful is as per the RBI guidelines. However, NPAs overdue for more than 720 days are classified as loss assets.

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

The above classification is provided based on Management's estimates which are more prudent than the classification and provision norms as per RBI's Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, issued on 01st Jul 2015.

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 made in accordance with RBI guidelines.

Loan loss provisions in respect of NPAs are charged to the

Statement of Profit and Loss and included under Provisions and Contingencies.

NPAs which have been fully provided for, are written off, based on management estimate and upon approval of the Board of Directors.

Recoveries from bad debts written-off are recognized in the Statement of Profit and Loss and included under Miscellaneous income within Other Income.

Provision policy for securitised loans

Provision for losses arising in respect of securitisation/assignment of portfolio loan is estimated for each arrangement on the basis of past performance of the collection efficiency of the Bank, subject to maximum guarantee (including cash collaterals) given in respect of these arrangements.

2.9 Transfer and servicing of assets

The Bank transfers loans through securitisation transactions. The transferred loans are de-recognised when the Bank surrenders the rights to benefits specified in the underlying securitised 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 statement of profit and loss, net of any losses, when redeemed in cash.

2.10 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 Statement of Profit and Loss in the year in which such gains

Schedule 17 - Significant accounting policy forming part of the financial statements for the year ended 31st Mar 2018.

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.

2.11 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 statement of profit and loss as incurred.

2.12 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 Statement of Profit and Loss on a straight-line basis over the lease term.

2.13 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Bank recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Bank will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Bank recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement". The Bank reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the Bank does not have convincing evidence that it will pay normal tax during the specified period.

2.14 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. 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.

2.15 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.

Schedule 17 - Significant accounting policy forming part of the financial statements for the year ended 31st Mar 2018.

2.16 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.

2.17 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.

2.18 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 statement of profit and loss.
- ii. Acquisition of borrowings is expensed to the statement of profit and loss in the year in which they are incurred.

2.19 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.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.1 Capital

A. Capital to Risk Weighted Asset Ratio (CRAR)

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

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
Common equity tier 1 capital ratio (%)	18.07%	48.44%
Tier 1 capital ratio (%)	18.07%	48.44%
Tier 2 capital ratio (%)	5.23%	-
Total Capital Ratio (CRAR) (%)	23.30%	48.44%
Amount of equity capital raised (including share premium)		
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)	9,500	-
Preference Share Capital Instruments	-	-

Subordinated debt (Tier II capital) outstanding as at 31st Mar 2018. is ₹ 10,000 Lakh (31st Mar 2017: ₹ Nil)

B. Capital infusion

During the year ended 31st Mar 2018., the Bank has not allotted any equity shares. Details of movement in the paid up equity share capital are as below:

Particulars	As at 31 st Mar 2018		As at 31 st Mar 2017	
	Equity Shares	Amount	Equity Shares	Amount
Equity shares at the beginning of the year	3,74,59,354	3,746	97,81,666	978
Addition pursuant to equity shares issued during the year	-	-	2,76,77,688	2,768
Equity shares outstanding at the end of the year	3,74,59,354	3,746	3,74,59,354	3,746

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.2 Investments

A. Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	As at 31 st Mar 2018
a) Value of investments	
i) Gross value of investments	
- in India	27,271
- outside India	-
	27,271
ii) Provision for depreciation	
- in India	-
- outside India	-
	-
iii) Net value of investments	
- in India	27,271
- outside India	-
	27,271

b) Movement of provisions held towards depreciation on investments:

Particulars	As at 31 st Mar 2018
i. Opening balance	-
ii. Add: Provision made during the year	75
iii. Less: Write-off/write back of excess provision during the year	(75)
iv. Closing balance	-

B. Repo/Reverse Repo Transactions

During the year ended **31st Mar 2018**, the Bank has not undertaken any repo/reverse repo transaction. Hence, disclosure related to repo/reverse repo transaction have not been provided.

C. Non-SLR investment portfolio

a) Issuer composition of Non-SLR investments

As at the year ended **31st Mar 2018**.; there are no outstanding Non - SLR investments.

b) Non-performing Non-SLR investments

During the year ended **31st Mar 2018**.; there are no non performing Non - SLR investments.

D. Sale and Transfer to/from HTM Category

During the year ended **31st Mar 2018**., there was no sale and transfer to/from HTM category.

18.3 Derivatives

During the year ended **31st Mar 2018**; 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.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.4 Asset quality

A. Non-performing assets

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
(i) Net NPAs to Net Advances (%)	0.72%	0.38%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	592	102
(b) Additions during the year	15,000	1,225
(c) Reductions during the year	13,870	735
(d) Closing balance	1,722	592
(iii) Movement of Net NPAs		
(a) Opening balance	287	23
(b) Additions during the year	11,332	999
(c) Reductions during the year	10,302	735
(d) Closing balance	1,317	287
(iv) Movement of provisions for NPAs (excluding provision on standard assets and floating provision)		
(a) Opening balance	305	79
(b) Provision made during the year	4,031	961
(c) Write off/write back of excess provision	3,931	735
(d) Closing balance	405	305

B. Particulars of accounts restructured

The Bank has not restructured any accounts during the year ended 31st Mar 2018.

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 31st Mar 2018, 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 31st Mar 2018.

E. Provisions on standard assets

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
• Provisions towards standard assets	727	1,397
	727	1,397

18.5 Business ratios

Particulars	As at 31 st Mar 2018
(i) Interest income as a percentage to working funds(*)	18.32%
(ii) Non interest income as a percentage to working funds (*)	2.13%
(iii) Operating profit (**) as a percentage to working funds	3.13%
(iv) Return on assets (average) (***)	-5.69%
(v) Business (^) (deposits plus advances) per employee (^^)	4,321,979
(vi) Profit per employee (^^)	(273,409)

(*) Working funds is the monthly average of total assets.

(**) Operating profit is net profit for the year before provisions and contingencies.

(***) For the purpose of computing ratio, assets representing monthly average of total assets

(^) Business is the total of net advances and deposits (net of inter-bank deposits)

(^^) Productivity ratios are based on average employee number

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh 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.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	26	2,938	4,141	6,636	10,145	2,687	3,554	16,035	26,527	19	2	72,710
Advances	1	1,623	2,045	4,326	8,649	8,920	26,213	41,868	60,473	6,738	2,104	1,62,960
Investments	4,240	4,006	786	2,929	347	1,413	1,670	1,333	9,479	1,066	2	27,271
Borrowings	371	22	521	1,325	4,710	3,427	12,090	19,572	51,809	5,551	7,500	1,06,898
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

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

Previous year as on 31st Mar 2017(*)

	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	> 3 years	Total
Liabilities								
Borrowings	4,042	2,843	4,165	11,066	15,117	22,997	2,880	63,110
Advances(**)	4,159	4,165	4,165	12,159	23,161	28,854	1,057	77,720

(*) ALM as of 31st Mar 2018., is prepared in accordance with RBI ALM guidelines applicable to banks while ALM of 31st Mar 2017 is prepared in accordance with RBI guidelines applicable to NBFC-MFI. Hence ALM as of 31st Mar 2018., and 31st Mar 2017 are not comparable.

Notes:

- The above borrowings exclude interest accrued and due and interest accrued but not due.
- The advances comprise of portfolio loan and does not include interest accrued.
- Includes interest bearing loans only and excluding loans pledged as collateral.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh 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 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 a 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 includes 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 such as deferred tax etc.

Geographical segments

The business operations of the Bank are concentrated in India hence the Bank is considered to operate only in domestic segment. The Bank has started operations effective 21st Jul 2017, hence previous year numbers are not applicable.

Business segments Particulars	Treasury 31 st Mar 2018	Corporate/ Wholesale Banking 31 st Mar 2018	Retail Banking 31 st Mar 2018	Other Banking Operations 31 st Mar 2018	Total 31 st Mar 2018
Revenue	1,922	644	32,495		35,061
Result	6	(1,750)	(1,448)	-	(3,192)
Unallocated expenses				-	5,792
Operating profit					(8,984)
Income taxes					771
Net profit					(9,755)
Other information:					
Segment assets	53,089	16,039	150,882		2,20,010
Unallocated assets				-	7,402
Total assets					2,27,412
Segment liabilities	26,095	63,762	89,751		1,79,608
Unallocated liabilities				-	47,804
Total liabilities					2,27,412

This space has been intentionally left blank

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.8 a - Related party disclosure

Description of relationship	Nature of relationship
i) Parties where control exists Fincare Business Services Limited (formerly Fincare Business Services Private Limited) Indium IV (Mauritius) Holdings Limited	Holding Company (w.e.f. 16 th Sept 2016) Ultimate Holding Company (till 16 th Sept 2016)
ii) Key management personnel Mr. Sameer Nanavati Mr. Rajeev Yadav Mr. Vivek Kothari Mr. Keyur Doshi Ms. Jinali Thacker Ms. Shefaly Kothari	Whole Time Director (resigned w.e.f. 24 th Jun 2017) Chief Executive Officer (w.e.f. 01 st May 2017) Chief Financial Officer (resigned w.e.f. 01 st May 2017) Chief Financial Officer (w.e.f. 01 st May 2017) Company Secretary (resigned w.e.f. 23 rd Feb 2017) Company Secretary (w.e.f. 23 rd Feb 2017)
iii) Other related parties India Finserve Advisors Private Limited* Future Financial Servicess Private Limited (formerly Future Financial Servicess Limited)* Lok Management Services Private Limited Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nysa Yadav, Ms. Saroj Khola and Mr. H S Khola	Entities under common control Entities under common control Entities under common control Relatives of key management personnel

iv) The transactions with related parties during the year :

Nature of transaction	Relationship	31 st Mar 2018	31 st Mar 2017
Issue of equity shares Fincare Business Services Limited (formerly Fincare Business Services Private Limited) Future Financial Servicess Private Limited (formerly Future Financial Servicess Limited)#	Holding company Entities under common control	-	1,151 1,111
Securities premium on equity shares Fincare Business Services Limited (formerly Fincare Business Services Private Limited) Future Financial Servicess Private Limited (formerly Future Financial Servicess Limited)#	Holding company Entities under common control	-	20,189 11,216
Managerial remuneration/remuneration for KMP Mr. Sameer Nanavati Mr. Rajeev Yadav Mr. Vivek Kothari Mr. Keyur Doshi Ms. Jinali Thacker Ms. Shefaly Kothari	Whole Time Director (resigned w.e.f. 24 th Jun 2017) Chief Executive Officer (w.e.f. 01 st May 2017) Chief Financial Officer (resigned w.e.f. 01 st May 2017) Chief Financial Officer (w.e.f. 01 st May 2017) Company Secretary (resigned w.e.f. 23 rd Feb 2017) Company Secretary (w.e.f. 23 rd Feb 2017)	15 301 24 102 - 18	31 - 41 - 3 1

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

Nature of transaction	Relationship	31 st Mar 2018	31 st Mar 2017
Loan taken from related parties Future Financial Services Private Limited (formerly Future Financial Services Limited)#	Entities under common control	-	9,000
Repayment of loan taken from related parties Future Financial Services Private Limited (formerly Future Financial Services Limited)#	Entities under common control	-	9,000
Interest paid on loan taken from related parties Future Financial Services Private Limited (formerly Future Financial Services Limited)#	Entities under common control	-	65
Sub-debt raised Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	7,500	-
Purchase consideration paid for slump sale Future Financial Services Private Limited (formerly Future Financial Services Limited)#	Entities under common control	-	13,701
Net assets acquired upon slump sale Future Financial Services Private Limited (formerly Future Financial Services Limited)#	Entities under common control	-	13,230
Management consultancy fees India Finserve Advisors Private Limited	Entities under common control	-	498
Deposits with the Bank Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	8,732	-
Lok Management Services Private Limited	Entities under common control	4,033	-
Fincare Business Services Limited (FFSL# & IFAPL*)	Entities under common control	1,103	-
Ms. Shefaly Kothari	Company Secretary	13	-
Mr. Keyur Doshi	Key management personnel	1	-
Mr. Rajeev Yadav	Key management personnel	15	-
Relative of key management personnel	Relative of key management personnel	69	-
Interest expense on deposits Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	104	-
Lok Management Services Private Limited	Entities under common control	-	-
Fincare Business Services Limited (FFSL# & IFAPL*)	Entities under common control	57	-
Ms. Shefaly Kothari (2018: ₹ 20,340)	Company Secretary	7	-
Mr. Keyur Doshi (2018: ₹ 6,568)	Key management personnel	0	-
Mr. Rajeev Yadav (2018: ₹ 33,338)	Key management personnel	0	-
Relative of key management personnel	Relative of key management personnel	0	-
		3	-
Management Fees Fincare Business Services Limited (formerly Fincare Business Services Private Limited)*	Holding Company	(20)	-

* credit note

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

v) Closing balance of the transactions with related parties :

Nature of transaction	Relationship	31 st Mar 2018	31 st Mar 2017
Management fees payable (Other current liabilities) India Finserve Advisors Private Limited	Entities under common control	-	80
Other receivable Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Entities under common control	12	-
Deposit balance Lok Management Services Private Limited	Entities under common control	2,027	-
Ms. Shefaly Kothari	Company Secretary	13	-
Mr. Keyur Doshi	Key management personnel	1	-
Mr. Rajeev Yadav	Key management personnel	8	-
Relative of key management personnel	Relative of key management personnel	58	-
Interest expense payable on deposit balance Lok Management Services Private Limited	Entities under common control	4	-
Ms. Shefaly Kothari (2018: ₹ 20,340)	Company Secretary	0	-
Mr. Keyur Doshi	Key management personnel	-	-
Mr. Rajeev Yadav (2018: ₹ 33,338)	Key management personnel	0	-
Relative of key management personnel	Relative of key management personnel	2	-
Sub-debt payable Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	7,500	-
Interest payable on Sub-debt Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	26	-

vi) Maximum outstanding during the year :

Nature of transaction	Relationship	31 st Mar 2018	31 st Mar 2017
Other receivable Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Entities under common control	12	-
Deposit balance Lok Management Services Private Limited	Entities under common control	2,027	-
Interest expense payable on fixed deposit balance Lok Management Services Private Limited	Entities under common control	4	-
Sub-debt payable Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	7,500	-
Interest on Sub-debt payable Fincare Business Services Limited (formerly Fincare Business Services Private Limited)	Holding Company	26	-

Note:

*India Finserve Advisors Private Limited had applied to the National Company Law Tribunal (NCLT) for amalgamation with Fincare Business Services Limited with an appointed date of 02nd Oct 2016. On obtaining the NCLT order dated 15th Sept 2017, India Finserve Advisors Private Limited ceased to exist and has merged with Fincare Business Services Limited.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

Future Financial Services Private Limited had applied to the National Company Law Tribunal (NCLT) for amalgamation with Fincare Business Services Limited with an appointed date of 02nd Oct 2016. On obtaining the NCLT order dated 15th Sept 2017, Future Financial Services Private Limited ceased to exist and has merged with Fincare Business Services Limited.

18.8 b Slump sale

The Bank, pursuant to a business transfer agreement dated 13th Apr 2016, approved by the Board of Directors in their meeting held on 11th Apr 2016 and by the shareholders on 12th Apr 2016, has acquired the assets and liabilities of Future Financial Services Private Limited (formerly Future Financial Services Limited) via a slump sale agreement amounting to ₹ 13,230 Lakh for a cash consideration of ₹ 13,701 Lakh, including an adjustment in respect of movement in net assets between 31st Mar 2016 and 30th Sept 2016. The transaction was completed on 1st Oct 2016. The acquired assets and liabilities have been accounted at their respective book values in the following manner:

Particulars	Amount
Fixed Assets (net of accumulated depreciation)	266
Loans and advances	30,501
Other assets	5,019
Cash and bank	3,614
Fixed deposits	4,794
Deferred tax	448
Total Assets	44,642
Term loan from Banks and Financial Institutions	22,137
Non convertible debentures	1,250
Trade payables	35
Other liabilities	6,702
Provisions	1,288
Total Liabilities	31,412
Net assets	13,230
Purchase consideration	13,701
Goodwill recognised	471

18.9 Sector-wise advances

Sector (*)	Year ended 31 st Mar 2018		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A. Priority Sector			
Agriculture and allied activities	73,893	477	0.65%
Advances to industries sector eligible as priority sector lending Services	-	-	-
Personal loans	42,345	428	1.01%
	16,870	431	2.55%
Sub total	1,33,108	1,336	
B. Non Priority Sector			
Agriculture and allied activities	-	-	-
Industry	-	-	-
Services	3,095	300	9.70%
Personal loans	27,162	86	0.32%
Sub total	30,257	386	
Grand Total	1,63,365	1,722	

(*) Gross of provision on Gross NPA ₹ 405 Lakh.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.10 - Liquidity coverage ratio

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

	Quarted ended 31 st Dec 2017		Quarted ended 31 st Mar 2018	
	Total Unweighted Value * (average)	Total weighted Value * (average)	Total Unweighted Value * (average)	Total Weighted Value * (average)
1) Total High Quality Liquid Assets (HQLA)	23,463	23,463	16,671	16,671
Cash outflows				
2) Retail deposits and deposits from small business customers, of which:				
- Stable deposits	-	-	-	-
- Less stable deposits	3,952	395	9,776	978
3) Unsecured wholesale funding, of which:				
- Operational deposits (all counterparties)	15,925	15,925	16,676	16,676
- Non operational deposits (all counterparties) - Unsecured debt				
4) Secured wholesale funding	3,863	3,863	3,470	3,470
5) Additional requirements, of which				
- Outflows related to derivative exposures and other collateral requirements	-	-	420	420
- Outflows related to loss of funding on debt products - Credit and liquidity facilities				
6) Other contractual funding obligations	-	-	-	-
7) Other contingent funding obligations				
8) Total Cash Outflows	23,740	20,183	30,342	21,544
Cash Inflows				
9) Secured lending (e.g. reverse repos)	-	-	-	-
10) Inflows from fully performing exposures	8,978	4,489	10,607	5,696
11) Other cash inflows	9,981	4,991	6,669	3,334
12) Total Cash Inflows	18,959	9,480	17,276	9,030
13) Total HQLA	23,463	23,463	16,671	16,671
14) Total Net Cash Outflows	4,781	10,703	13,066	12,514
15) Liquidity Coverage Ratio (%)		219.22%		133.22%

*The disclosure is arrived taking into account simple average of each of the line of item of LCR components over 90 days of quarter 3 and quarter 4 of year ended 31st Mar 2018.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

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 RBI for reporting of the Liquidity Coverage Ratio (LCR). The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered HQLA that can be converted into cash to meet its liquidity needs for a 30 calendar day under a significant severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

(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 RBI Guidelines. Minimum LCR requirement for small finance banks is 70% with effect from 01st Jan 2018 and reaching the minimum requirement of 100% by 01st Jan 2021.

(c) the composition of HQLA

HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying 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 borrowings from banks, NBFCs, financial institutions and other agencies in the form of term loan, non-convertible debentures, subordinate debts, commercial paper and refinance from Financial Institution.

Reason for LCR in excess of minimum regulatory requirement are as follows:

The LCR percentage is above the minimum threshold prescribed for SFB in order to maintain adequate liquidity buffer.

18.11 - Exposure

A. Exposure to real estate sector

As at 31st Mar 2018, the Bank does not have any real estate sector exposure.

B. Exposure to capital market

As at 31st Mar 2018, the Bank does not have any capital market exposure.

C. Risk category wise country exposure

The Bank's exposures are concentrated in India, hence country risk exposure as at 31st Mar 2018 is 'Nil'.

D. Details of single borrower limit (SGL)/group borrower limit (GBL) exceeded by the Bank

During the year ended 31st Mar 2018, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under extant RBI guidelines.

E. Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The unsecured advances of ₹ 133,033 Lakh disclosed in Schedule 9B (iii) are without any collateral or security.

18.12 - Disclosure of Penalties imposed by RBI

No penalties has been levied on the Bank by RBI during the period ended 31st Mar 2018.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.13 - 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 statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
The amounts recognised in the Statement of Profit and Loss are as follows:		
Service cost	108	67
Interest cost	13	2
Cost from acquisition of FFSP	-	33
Expected return on plan assets	(10)	(2)
Net actuarial loss on plan assets	20	(36)
Past service cost	-	-
Expense recognised in the Statement of Profit and Loss	131	64

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	327	200
Fair value of plan assets as at the end of the year	144	135
Net liability recognised in the Balance Sheet	183	65
Changes in the present value of defined benefit obligation:		
Defined benefit obligation at the beginning of the year	200	34
Service cost	108	67
Interest cost	13	2
Actuarial loss	13	(35)
Benefits paid	(7)	(1)
Acquired from FFSP	-	133
Defined benefit obligation as at 31st Mar 2018	327	200
Changes in the fair value of plan assets:		
Fair value at the beginning of the year	135	35
Expected return on plan assets	10	2
Acquired from FFSP	-	98
Actuarial (loss)	(7)	1
Contributions	13	-
Benefits paid	(7)	(1)
Fair value as at 31st Mar 2018	144	135
Assumptions used in the above valuations are as under:		
Discount rate	7.21%	6.54%
Expected return on plan assets	7.21%	6.54%
Future salary increase	11.00%	10.00%
Attrition rate	30.00%	28.00%
Retirement age (years)	60 Yrs	60 Yrs

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

Experience adjustments:

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017	As at 31 st Mar 2016	As at 31 st Mar 2015	As at 31 st Mar 2014
Defined benefit obligation	327	200	35	10	18
Plan assets	144	135	35	31	18
(Deficit)	183	65	-	(21)	-
Experience adjustments on liabilities - gain/(loss)	30	(33)	(1)	(15)	(4)
Experience adjustments on assets - gain/(loss)	(7)	(1)	0	(1)	0

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 31st Mar 2018 amounted to ₹ 49 Lakh (31st Mar 2017 - ₹ 23 Lakh).

C. Compensated absence

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at 31st Mar 2018 is ₹ 28 Lakh (31st Mar 2017: ₹ 15 Lakh).

Assumptions used in the above valuations are as under:	As at 31 st Mar 2018	As at 31 st Mar 2017
Discount rate	7.21%	6.54%
Future salary increase	11.00%	10.00%

18.14 - Provision and contingencies

Provision and contingencies recognised in the Statement of Profit and Loss comprise:

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
Provision for income tax	-	-
- current tax	771	(195)
- deferred tax (refer schedule 18.12)	(670)	1,246
Provision for standard assets (*)	13,039	231
Provision for non-performing assets (includes bad debts written off ₹ 12,939 (31 st Mar 2017: ₹ 735))	-	-
Provision for depreciation in value of investments	-	-
Provision for restructured assets	-	-
Provision for unhedged foreign currency exposure	-	-
Provision for country risk	-	-
Provision for other contingencies	1,980	(389)
	15,120	893

(*) consequent to the change in the accounting policy with regard to asset classification and provisioning, an aggregate provision on asset under management is higher by ₹ 1,778 Lakh and net profit/(loss) is lower by ₹ 1,778 Lakh for the year ended 31st Mar 2018, respectively.

18.15 - Floating provision

During the year ended 31st Mar 2018, there was no floating provision created.

18.16 - Draw down from reserves

During the year ended 31st Mar 2018, there were no drawdown from reserves.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.17 Disclosure of complaints**A. Customer complaints**

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
(a) No. of complaints pending at the beginning of the year	3	1
(b) No. of complaints received during the year	69	444
(c) No. of complaints redressed during the year	70	442
(d) No. of complaints pending at the end of the year	2	3

B. Awards passed by the Banking Ombudsman

Particulars	As at 31 st Mar 2018
(a) No. of unimplemented Awards at the beginning of the year	-
(b) No. of Awards passed by the Banking Ombudsmen during the year	-
(c) No. of Awards implemented during the year	-
(d) No. of unimplemented Awards at the end of the year	-

C. ATM related complaints

Particulars	As at 31 st Mar 2018
(a) No. of complaints pending at the beginning of the year	Nil
(b) No. of complaints received during the year	Nil
(c) No. of complaints redressed during the year	Nil
(d) No. of complaints pending at the end of the year	Nil

The above information is as certified by the Management and relied upon by the auditors.

18.18 Letter of comfort

The Bank has not issued letter of comfort during the year ended 31st Mar 2018.

18.19 Provisioning coverage ratio

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
The provisioning coverage ratio of the Bank computed in terms of RBI guidelines	23.55%	51.61%

18.20 Insurance business

The Bank has not engaged in insurance broking, agency and bancassurance business during the year ended 31st Mar 2018.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.21 Concentration of deposits, advances, exposures and NPAs**A. Concentration of deposits**

Particulars	As at 31 st Mar 2018
Total Deposits of twenty largest depositors	57,653
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	79.29%

B. Concentration of advances

Particulars	As at 31 st Mar 2018
Total advances to twenty largest borrowers	17,288
Percentage of advances to twenty largest borrowers to total advances of the Bank	9.43%

C. Concentration of exposures

Particulars	As at 31 st Mar 2018
Total exposure to twenty largest borrowers/customers	67,006
Percentage of Exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	26.17%

D. Concentration of NPAs

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
Total exposure to top four NPA accounts	40	32

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
Gross NPAs as on 1 st Apr of particular year (Opening Balance)	592	102
Additions (Fresh NPAs) during the year	15,000	1,225
Sub total (A)	15,592	1,327
Less :-		
(i) Upgradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	931	-
(iii) Technical/Prudential Write offs	12,939	735
(iv) Write offs other than those under (iii) above	-	-
Sub-total (B)	13,870	735
Gross NPAs as on 31st Mar of following year (closing balance) (A-B)	1,722	592
Opening balance of Technical/Prudential written off accounts as at 1 st Apr	6,789	6,054
Add : Technical/Prudential write offs during the year	12,939	735
Sub total (A)	19,728	6,789
Less : Recoveries made from previously technical/prudential written off accounts during the year (B)	803	-
Closing balance as at 31st Mar (A-B)	18,925	6,789

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.22 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets/NPAs as at 31st Mar 2018 and no overseas operations were undertaken during the year. Hence revenue from overseas operation in 'Nil'.

18.23 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.

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 assist the Board to fulfil its responsibility to ensure that remuneration policy and practices, reward, fairly and responsibly, in relation to the Bank and individual performance.

As on 31st Mar 2018, the NRC had three members of which two 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. Leadership team 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

Not Applicable

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 23rd Jan 2018, pursuant to the guidelines issued by RBI, to cover all employees of the Bank.

Type of employees covered and number of such employees

All permanent employees of the Bank are covered. The total number of permanent employees of the Bank at 31st Mar 2018 was 4,357.

(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 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

Effective governance of compensation: The NRC has oversight over compensation to key management personnel as well as senior management.

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 predominantly a fixed remuneration structure along with non-guaranteed bonuses.

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 goals. 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 practices.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee:

The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual/department performance and is not linked to any business outcomes.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures:

The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management shall consider 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 shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and continuity of key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration:

In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

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.

Not applicable

d) Description of the ways in which the Bank seeks to link

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

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 profitability targets, business growth, asset quality, productivity and efficiency metrics, compliance, and customer service.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance:

The assessment of employees shall be based on their performance with respect to their key result areas and shall include the metrics mentioned above.

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 KMP and Senior Management is linked to achievement of overall objectives and in case of performance being weak on one or more of the metrics, the variable compensation payout can be adjusted.

Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

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:

Not applicable

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:

Not applicable

e) 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:

The forms of variable remuneration used by the Bank are:

- Business incentives – used for rewarding Business teams for focus on portfolio quality, route efficiency, customer retention (Loans verticals)
- Performance Pay – used for rewarding performance against quarterly and annual performance goals for the individual/ teams
- Employee Wealth Share Plan (EWSP) – a tool for long-term retention and improved morale

B) Quantitative Disclosures

Particulars	As at 31 st Mar 2018
a) i - Number of meetings held by the Remuneration Committee during the financial year	Six
ii - remuneration paid to its members.	
b) Number of employees having received a variable remuneration award during the financial year.	508 employees received quarterly Performance pay) while 199 employees received Annual Performance pay
c) Number and total amount of sign on awards made during the financial year.	-
d) Details of guaranteed bonus, if any, paid as joining/sign on bonus	₹ 1 Lakh
e) Details of severance pay, in addition to accrued benefits, if any.	-
f) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	Outstanding (Provision made) Deferred Remuneration in form of EWSP – 190 employees totalling ₹ 231 Lakh
g) Total amount of deferred remuneration paid out in the financial year.	Deferred Remuneration (paid) in form of EWSP – 31 employees Totaling ₹ 51 Lakh
h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.	
- Fixed pay	₹ 7,822
- Variable pay	₹ 2,088
- Non deferred	-
- Deferred	₹ 51
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	-
j) Total amount of reductions during the financial year due to ex post explicit adjustments.	-
k) Total amount of reductions during the financial year due to ex post implicit adjustments.	-

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.25 Disclosures relating to securitisation

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
a) No of SPVs sponsored by the Bank for securitisation transactions	21	31
b) Total amount of securitised assets as per books of the SPVs sponsored by the Bank	30,620	52,200
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	4,183	5,744
Others	-	-
d) Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposures to own securitisations		
First loss	1,751	-
Loss	-	-
(ii) Exposures to third party securitisations		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposures to own securitisations		
First loss	-	-
Loss	3,554	4,930
(ii) Exposures to third party securitisations		
First loss	-	-
Others	-	-

18.26 Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended 31st Mar 2018.

18.27 Intra Group Exposures

During the year ended 31st Mar 2018, there were no intra group exposures.

18.28 Depositor Education and Awareness Fund

During the year ended 31st Mar 2018, no amount has been transferred to Depositor Education and Awareness Fund.

18.29 Unhedged Foreign currency Exposure

The Bank doesn't have any unhedged foreign currency exposure as at 31st Mar 2018.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.30 Deferred tax assets

Particulars	As at 31 st Mar 2018	As at 31 st Mar 2017
Deferred tax liability arising on:		
Depreciation and amortisation	-	9
Sub total	-	9
Deferred tax asset arising on:		
Provision for employee benefits:		
Compensated absences	-	51
Gratuity	-	22
Employee Wealth Share Plan	-	30
Provision on portfolio loans	-	661
Expenses disallowed under section 40(a)(ia)	-	16
Sub total	-	780
Grand total	-	771

Note: The Bank did not recognize deferred tax asset on the carried forward losses and unabsorbed depreciation aggregating to ₹ 10,166 Lakh as a matter of prudence and on account of lack of virtual certainty as required by Accounting Standards (AS) 22, Accounting for Taxes on Income. The said sum of ₹ 10,166 Lakh will be available to offset tax on future taxable income.

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 statement of profit and loss.

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. The Bank has entered into non-cancellable lease arrangements for its Ahmedabad and Bangalore Head office premises. The minimum lease payments during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the statement of profit and loss.

Particulars	As at 31 st Mar 2018	Year ended 31 st Mar 2017
Lease payments recognised in the statement of profit and loss	795	479

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 st Mar 2018	Year ended 31 st Mar 2017
Within 1 year	158	158
Later than one year but not later than five years	185	343
Later than 5 years	-	-

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.32 Micro small and medium enterprises

Based on the information available with the Bank, there are no outstanding dues in respect of Micro, Small and Medium enterprises at the balance sheet date. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Bank. This has been relied upon by the auditors.

18.33 Disclosure of provision for fraud

Particulars	As at 31 st Mar 2018	Year ended 31 st Mar 2017
Number of frauds reported during the year to RBI	76	18
Amount involved in such frauds	123	34
Provision made during the year (net of recovery)	43	27
Unamortised provision debited from other reserves	-	-

18.34 Earnings per equity share

Particulars	As at 31 st Mar 2018	Year ended 31 st Mar 2017
Net profit attributable to equity shareholders (₹)	(9,755)	868
Weighted average number of shares outstanding during the year used for computing basic and diluted earnings per share (nos)	3,74,59,354	2,21,98,546
Basic and diluted earnings per share (₹)	(26.04)	3.91

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	As at 31 st Mar 2018
i) Aggregate value of IBPCs entered (*)	20,000
ii) Aggregate consideration received	20,000
iii) Aggregate gain recorded	-
iv) IBPCs outstanding (including principle amount of ₹ 20,000 Lakh collected against the pool sold and not yet due for payment and included under other liabilities)	20,000

(*) aggregate value of the own portfolio pool sold is ₹ 50,000 Lakh.

Schedule 18 Notes to the financial statements

(All amounts in ₹ Lakh except otherwise stated)

18.36 Corporate Social Responsibility (CSR)

a) Gross amount required to be spent by the Bank during the year ended 31st Mar 2018 is ₹ 15 Lakh (31st Mar 2017: ₹ 13 Lakh) 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	22	-	22
	22	-	22
c) 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	14	-	14
	14	-	14

18.37 Loan to Fincare Employee Welfare Trust (FEWT)

The Bank has provided a loan of ₹ 17,00,00,000 to FEWT ('the Trust') at a rate of 8 percent p.a., for the purpose of subscribing to the equity shares of Fincare Business Services Limited (formerly Fincare Business Services Private Limited) ('the Holding Company'), with the objective of granting equity share capital of the Holding Company to the eligible employee(s) of the Bank in lieu of their services provided to the Bank.

On 7th Jul 2018, the trust purchased 5,97,281 equity shares of the Holding Company. However, as on 31st Mar 2018, the Trust has not granted any equity share capital (akin to share based payments) to the employees of the Bank.

18.38 Previous year's figures have been reclassified/regrouped to confirm with the current year's presentation wherever applicable.

As per our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Banthia**
Partner
Bengaluru
30th Apr 2018

For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)

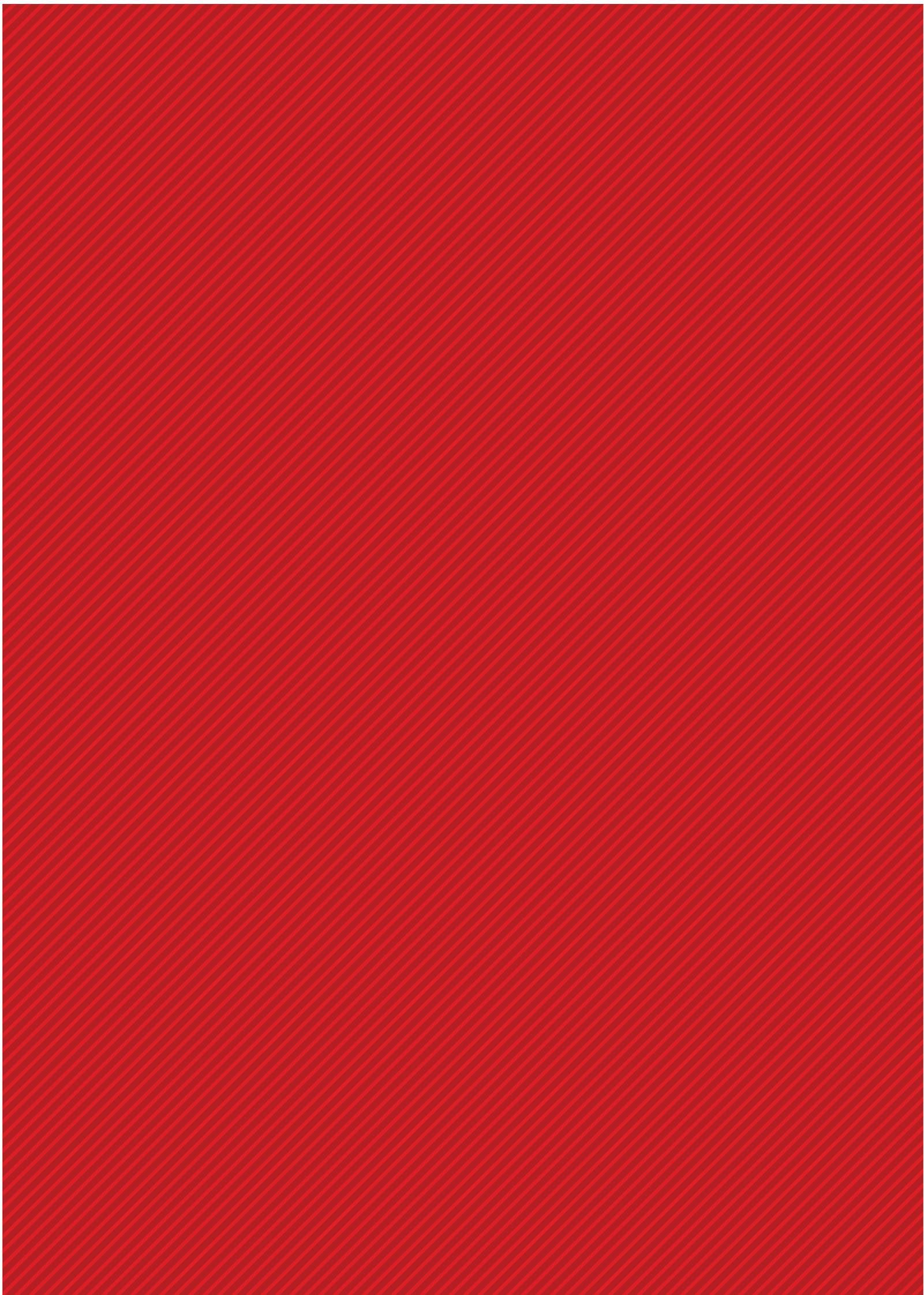
Pramod Kabra
Director
DIN: 02252403
Bengaluru
30th Apr 2018

Rajeev Yadav
Director
DIN: 00111379
Bengaluru
30th Apr 2018

Sunil Gulati
Director
DIN: 00016990
Bengaluru
30th Apr 2018

Keyur Doshi
Chief Financial Officer
Bengaluru
30th Apr 2018

Shafaly Kothari
Company Secretary
M No. F7698
Bengaluru
30th Apr 2018





Registered Office : 301-306, 3rd Floor, Abhijeet - V, Opposite Mayor Bungalow, Near Law Garden, Mithakhali,
Ahmedabad - 380006 | Phone: +91-79-40011000

Corporate Office : 5th Floor, Bren Mercury, Sarjapur Main Road, Kaikondanahalli,
Bangalore - 560035 | Phone: +91-80-42504444