



FINCARE SMALL FINANCE BANK LIMITED
ANNUAL REPORT 2020-21

*people
power*



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AT Fincare Small Finance Bank, we are proud of our 'People'. The 'never say die' attitude that drives our people, propelled them to venture out of their safe zones, with full precautions, at a time when the world was forced to remain indoors.

Their mindset demonstrated resilience as well as a sense of responsibility towards the customers and organisations alike.

Their persistent efforts made a meaningful difference to the customers when the world was engulfed in uncertainty and their presence gave hope and a semblance of normalcy to millions of customers they touched with their positivity and calmness.

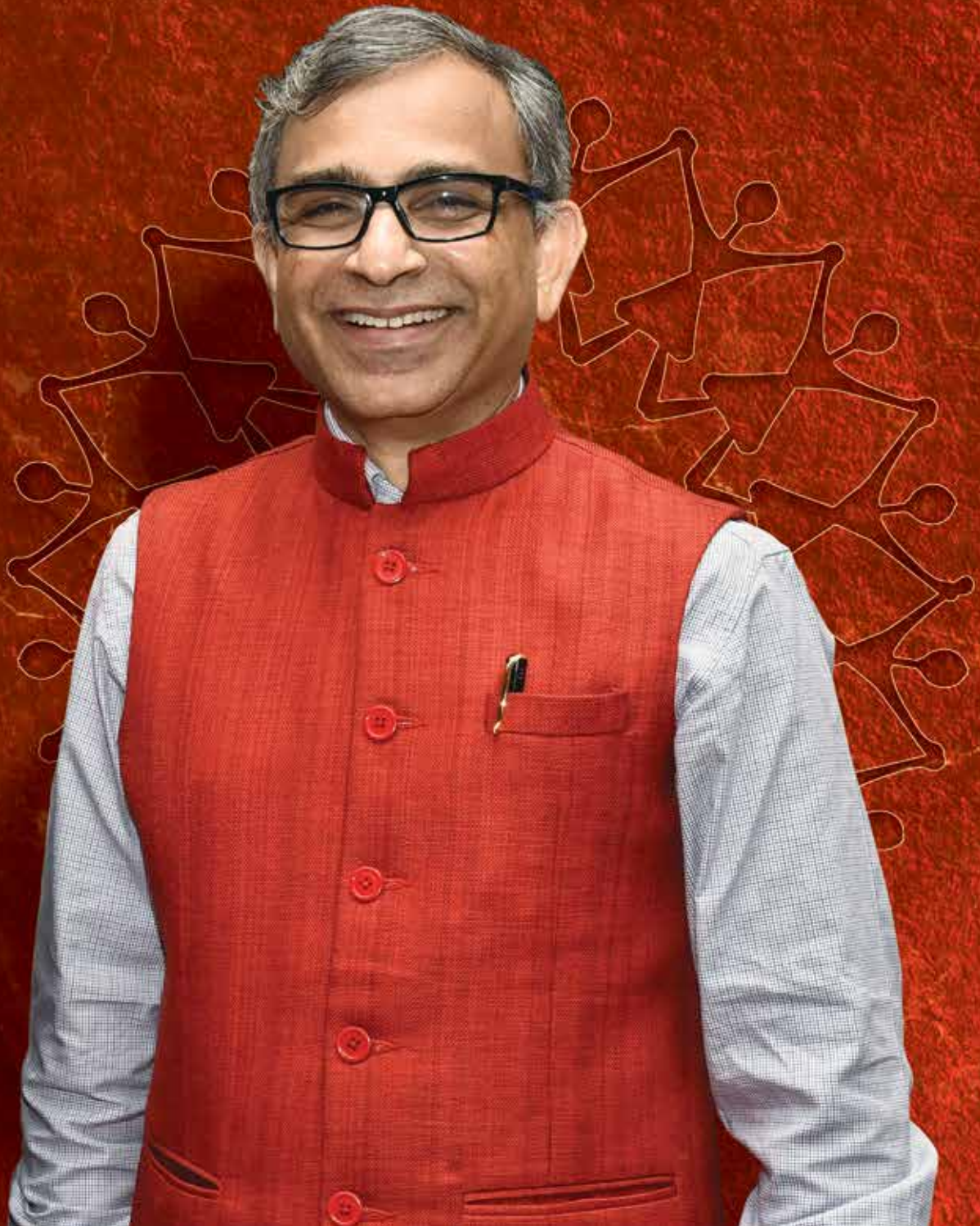


Their dedication instilled with pride, reciprocated by HR practices of the Bank, and helped Fincare Small Finance Bank get certified as a 'Great Place to Work' organization in March 2021.

This year, our Annual report is dedicated to the 'People Power' of Fincare Small Finance Bank.



FROM THE CHAIRMAN'S DESK



Dear friends,
We hope
you and
your families
are safe and
healthy.
In FY21, safety
for mankind
assumed a
completely
different
paradigm



Otherwise social beings, suddenly we humans felt safe, with familiar people. Stepping out became an aspiration marred by uncertainty.

However, bankers didn't have the luxury of staying within the safe confines of their homes. Bankers had to brave health hazards and logistical challenges every day, with a smile. Because despite the lockdowns, banking services had to be kept uninterrupted. Banking became the lifeline of every Indian - rich and poor, urban and rural, aged and working. The Government too, passed on its Covid relief benefit to the citizens via banking channels. The bottomline, being an essential service provider, Banks had to keep functioning... no matter what!

At Fincare Small Finance Bank, the entire team worked all through these demanding times. The Bank staff, every day, went above and beyond, providing banking services to its customers. They lived upto the Bank's credo of "the highest standards of service with speedy and comprehensive solutions for customer needs." I take immense pride in being part of this passionate and brave team.

We ended the year with a very satisfying performance – while in the first few months, the focus was entirely on ensuring health and safety of employees and customers, new business was deliberately slowed down. Once the lockdown restrictions were relaxed, the Bank remained focused on asset preservation and only towards the end of the year, asset growth became an area of attention. Overall, cash conservation and asset quality preservation remained the key priorities for the year.



The Bank staff, every day, went above and beyond, providing banking services to its customers. They lived upto the Bank's credo of "the highest standards of service with speedy and comprehensive solutions for customer needs."



In terms of business numbers, the assets business grew to ₹ 6,072 crore in FY21 up from ₹ 5,342 crore in FY20. Pre-provision Operating Profits (PPOP) were ₹ 365.1 crore up from ₹ 338.1 crore from previous year. The Gross NPA for FY21 stood at 6.42%. Return on Assets stood at 1.44% in FY21.

Moving closer

While the impact of the pandemic on lives and livelihood has been debilitating, it has deepened the roots and inevitability of being digital. Digitalisation has become a 'must-have' mandate from the 'good-to-have' position earlier. The Bank's digital-first philosophy helped it to stay agile and ahead, enabling it to deliver banking services seamlessly, despite the challenges. The Bank's push for digital transformation drew it to feature among the best Digital banks in the country.

In FY21, we continued to build on our digital philosophy for all products, services, back-end operations and employee-side solutions. The singular objective: enhance customer convenience.

Some of the interesting digital developments that delighted customers:

- Enriched our Mobile Banking User Interface with new features that made mobile banking more user friendly.
- Strengthened our Assisted Banking Application 'Nanobanking' by expanding the products offered through this channel.
- Moved our WhatsApp banking from menu driven to Natural Language Processing based multi-lingual conversational BOT.
- Added multiple features to our Fincare 101 Account.

Aligned to this development, we strengthened our cyber security periphery with technology solutions. Our efforts earned us the respect of receiving the 'IBA Award for Best Cyber Security and Risk Management initiatives' in SFB category and the 'ISO 27001 certification'. This is heartening for us as we extend our reach across the country, while our customers continue to enjoy safe & secure banking

with us.

Even as we continue to simplify banking for the customer, we understand that they will need handholding, an empathetic voice to give them a patient hearing and a comprehensive solution for their requirements.

In summation, FY21 was unprecedented for Fincare Small Finance Bank. Even as social distancing became the norm across India, we continued to move closer to the customer.

Looking beyond

A resilient India faced, fought, and flattened the most aggressive second wave of the Covid-19 pandemic. India is well set on its road to recovery with most states unlocking commercial activity and loosening restrictions. Also, the aggressive vaccine drives across India have infused confidence among people to venture out with



Fincare Small Finance Bank will continue to work deliberately and diligently in strengthening its digital connect.



adequate precautions. Fincare Small Finance Bank will continue to work deliberately and diligently in strengthening its digital connect, thereby enabling customers to enjoy banking from the comfort of their homes.

As we continue our efforts on becoming more nimble, I would like to take this opportunity to thank all the investors, board of directors, valued customers and the regulator, for their continued belief and support throughout our journey.

Our efforts towards growing the intellectual capital of our people and customers on systems, processes, products, and services will only become more purposive and we continue to ideate and innovate on our existing platforms.

Without your faith in us, this journey could never be so rewarding. I solicit your continued support.

We will also continue to sharpen our focus on improving our service quality, strengthening our governance standards, and tightening our risk framework. We believe that this will make quality growth profitable and sustainable.

Warm regards,
Pramod Kabra
Chairman





All these years, Fincare Small Finance Bank has remained steadfast on a single strategy for success. Taking care of its people. It is our belief that if you take care of your people, they will take care of your business.

This axiom played out in full during the year gone by

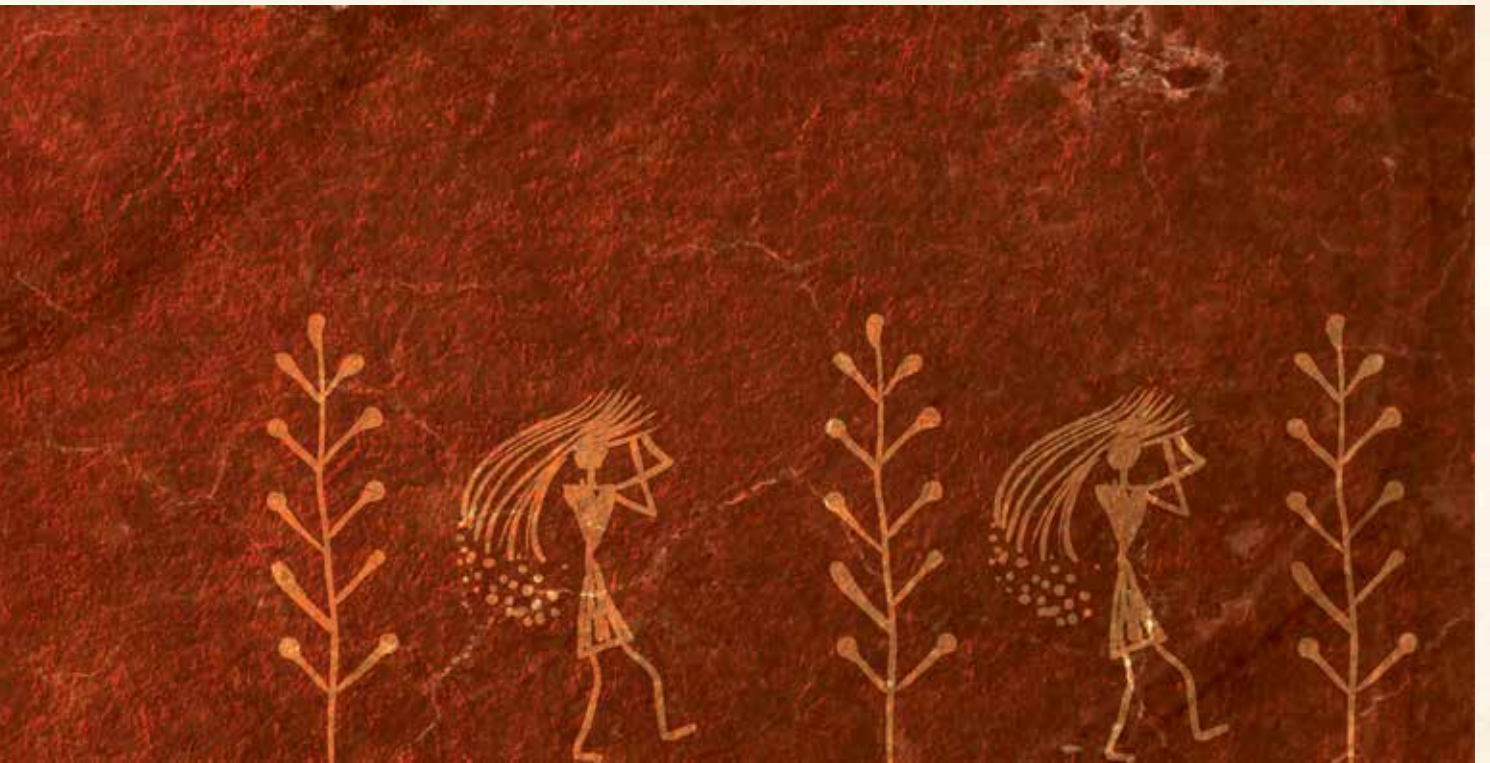
The pandemic and its impact

FY21 has been one of the most eventful year in living memory. The Covid-19 impact on lives and livelihoods can be regarded as one of the most significant black swan events of our time.

1) This health emergency, almost abruptly, brought India and Indians to a complete standstill. While urban India was hit by the virus, rural India shut suddenly owing to the lockdowns. This incident put banks such as Fincare Small Finance Bank, under the spotlight as they emerged as the critical supply line for credit to small business units, small and micro enterprises and small industries, and other unorganised entities.

2) One of the most significant changes has been acceleration in the already ongoing shift to digital channels for conducting everyday business. Banks and financial intermediaries, in collaboration with the fintech eco-system, enabled by Government of India digitisation initiatives, has further empowered extension of formal access to credit and other financial services to hitherto underserved segments of the economy.

It gives me immense satisfaction that we have been able to deliver support in these trying times.



Fincare Small Finance Bank had adopted the digital route as a business mandate well before the pandemic. This powerful and prudent strategy helped us reach out and service urban, rural and ultra-rural customers as well even as the pandemic wreaked havoc across India. Our people pulled out all stops to ensure that the Bank continued to provide the much-needed financial lifeline to its customers throughout the challenging period.

The Bank's performance FY21, in summary, was a year when the tech-muscle coupled with people-power took center stage to demonstrate intent and deliver impact.

Our deposits increased by 14% from ₹ 4,654 crore as of March 31, 2020 to ₹ 5,318.5 crore as of March 31, 2021, mainly on account of an increased number of banking outlets and increased efforts to grow deposits. The asset business (on-book advances) grew by 10% between 31st March, 2020 and 31st March, 2021. Retail deposits and CASA formed 91.4% and 23.8% of the deposit base as at the end of FY21. Our credit-to-deposit ratio moved from 103% to 100% during the year. The advances base continued to diversify -the proportion of secured advances upped from 18% to 20% between FY18 and FY21.

Smart & Safe Banking

A disruption like this pandemic will have many implications in shaping our economic and financial behaviour and our responses in the coming months, even years.

Using this prevailing health adversity as an opportunity to being better, Fincare Small Finance Bank continued to invest in strengthening its digital ecosystem to be able to offer right product-right service to customers in the convenience of their homes and offices. In FY21, we made considerable headway in our journey towards becoming a 'Smart Bank'.

While being a Smart Bank



The asset business (on book advances) grew by 10% between 31st March, 2020 and 31st March, 2021.



is essential for growth, it is also critical for sustenance. Today, data is the new gold. Data theft is rampant and the need for data security measure is the top of the town. Data protection capabilities make or mar customer confidence and the organisation's reputation, which can ultimately impact business success, especially for a bank.

In keeping with this reality, the Bank fortified its security measures in multiple ways, such as:

- Strengthened the Core Banking System with critical features.
- Reinforced Fraud Risk Management System with business/risk management rules to minimise online frauds.
- Enabled digital One-Time-Combination (OTC) locks in all ATMs to mitigate risks in ATM operations.

- Set up Network & Security Operation Center and put in place real-time monitoring of these assets to prevent security incidents and infrastructure failures.

There are many more well-thought initiatives in the pipeline and the Bank shall be rolling these out in due course.

The Customer's Bank

Adding customers is achieving growth. Nurturing relations is sustaining it. Fincare Small Finance Bank believes in the latter.

This ethos has transformed the Bank into its present position. Remaining steadfast on its customer service commitment, the Bank implemented numerous initiatives during the year:

- Revamped its Customer Relationship and Phone Banking systems with additional features.

that enable the team to address customer queries faster and more accurately, resulting in an increased level of customer satisfaction.

- Enriched its mobile banking interface with products and features.

The Government of India and the RBI have taken various measures to combat the challenge faced by the Indian economy due to the Covid-19 pandemic. As part of relief measures, the Department of Financial Services through the National Credit Guarantee Trust Company (NGCTC) introduced the Emergency Credit Line Guarantee Scheme ("ECLGS") for providing 100% guarantee



Adding customers is achieving growth. Nurturing relations is sustaining it. Fincare Small Finance Bank believes in the latter.



for term loans to eligible MSME customers. The Bank offered this scheme to its Microloans and LAP customers eligible under the scheme.

These, among several other developments, have in the past and in the coming years continue to help build the Bank as a trustworthy and long-standing partner.

People Power- today and tomorrow

All these years, Fincare Small Finance Bank has remained steadfast on single strategy for success. Taking care of its people. For it believes that if you take care of your people, they will take care of your business. This was

more evident in FY21 when the bank took care of its workforce in every aspect. The Bank shall continue to tread the same strategy going forward.

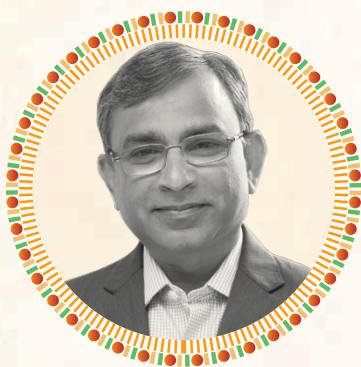
Look forward to your continued patronage and best wishes as always.

Thank you.
Rajeev Yadav
Managing Director & CEO



Our Board of *directors*

(As of 13th October, 2021)



Pramod Kabra
*Part Time Chairman and
Non-Executive Director*



Rajeev Yadav
*Managing Director and
Chief Executive Officer*



Aarthi Shivanandh
Independent Director



Alok Prasad
Independent Director



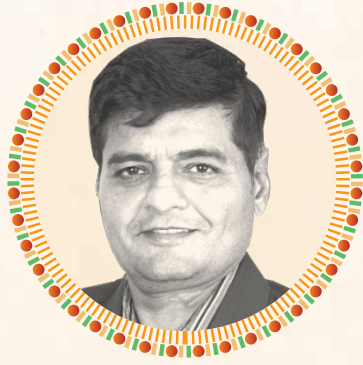
Dhiraj Poddar
*Nominee Director
w.e.f. 27th September, 2021*



Divya Sehgal
*Nominee Director
w.e.f. 13th October, 2021*



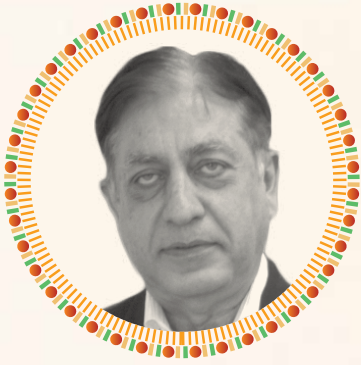
Nanda S Dave
Independent Director



Sameer Yogesh Nanavati
Nominee Director



Sunil Satyapal Gulati
Independent Director



Varun Sabhlok
Independent Director



Vinay Baijal
Independent Director



Our Leadership Team

business

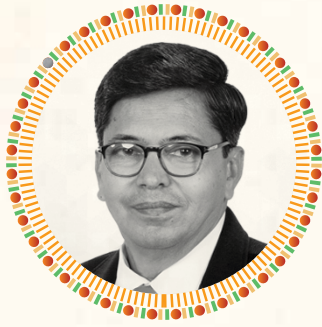
(As of 13th October, 2021)

Rural Banking



Soham Shukla

Chief Operating Officer,



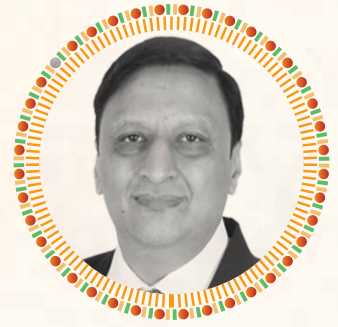
Kishore Mangalvedhe

Chief Operating Officer - South



Ravish Chandra

Chief Operating Officer - West



Virender Sharma

Head - Alternate Channels,

Mortgage



Deepabh Jain

Chief Operating Officer

Loan against Gold



Mahender Chawla

Chief Operating Officer

SME Lending



Jatinder Mohan Singh Shah

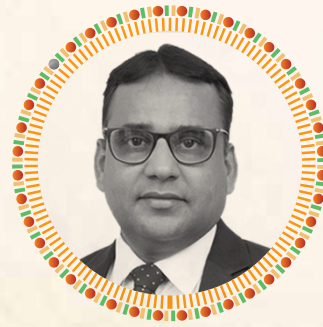
Chief Operating Officer
w.e.f. 9th April, 2021

Retail Banking



Ashish Misra

Chief Operating Officer



Ashish Chhabra

Chief Operating Officer - North

Our Leadership Team

support

(As of 13th October, 2021)

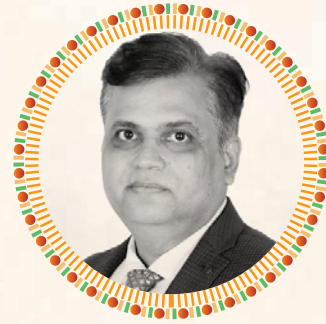
Corporate



Keyur Doshi
Chief Financial Officer



Nilesh Sangoi
Chief Information Officer



Pankaj Gulati
Chief Marketing Officer &
Head - CEO Office



Shreejith Menon
Chief Operating Officer -
Operations,
Customer Service & Contact Centre
w.e.f. 12th July, 2021



Rakesh Das
Head - Credit



M Sai Suryanarayana
Chief People Officer



Chandar Rao V
Chief Technology Officer
resigned w.e.f. 12th July 2021

Control



Venkata Jayaraman M
Chief Risk Officer



Devika Praveen
Head - Compliance

Our bank



Fincare Small Finance Bank is a 'digital-first' SFB with a focus on unbanked and under-banked customers, especially in rural and semi-urban areas.



It follows a business model focused on financial inclusion and aims to provide individuals and businesses with affordable financial products and services that meet their needs. Its business objective is to enhance access to savings, credit and other financial products for unbanked and underbanked individuals, MSMEs and unorganised entities, especially in rural and semi-urban areas, by leveraging technology and last-mile distribution.

Its 'digital first' approach supports its extensive physical network and focuses on technology-led operations across all aspects of banking.

The Bank possesses a deep understanding of unbanked and under-banked customers, especially rural, with over 14 years of experience in providing microloans. The Bank operated as an NBFC-ND under the name 'Disha Microfin Limited' since 2010 and was registered as an

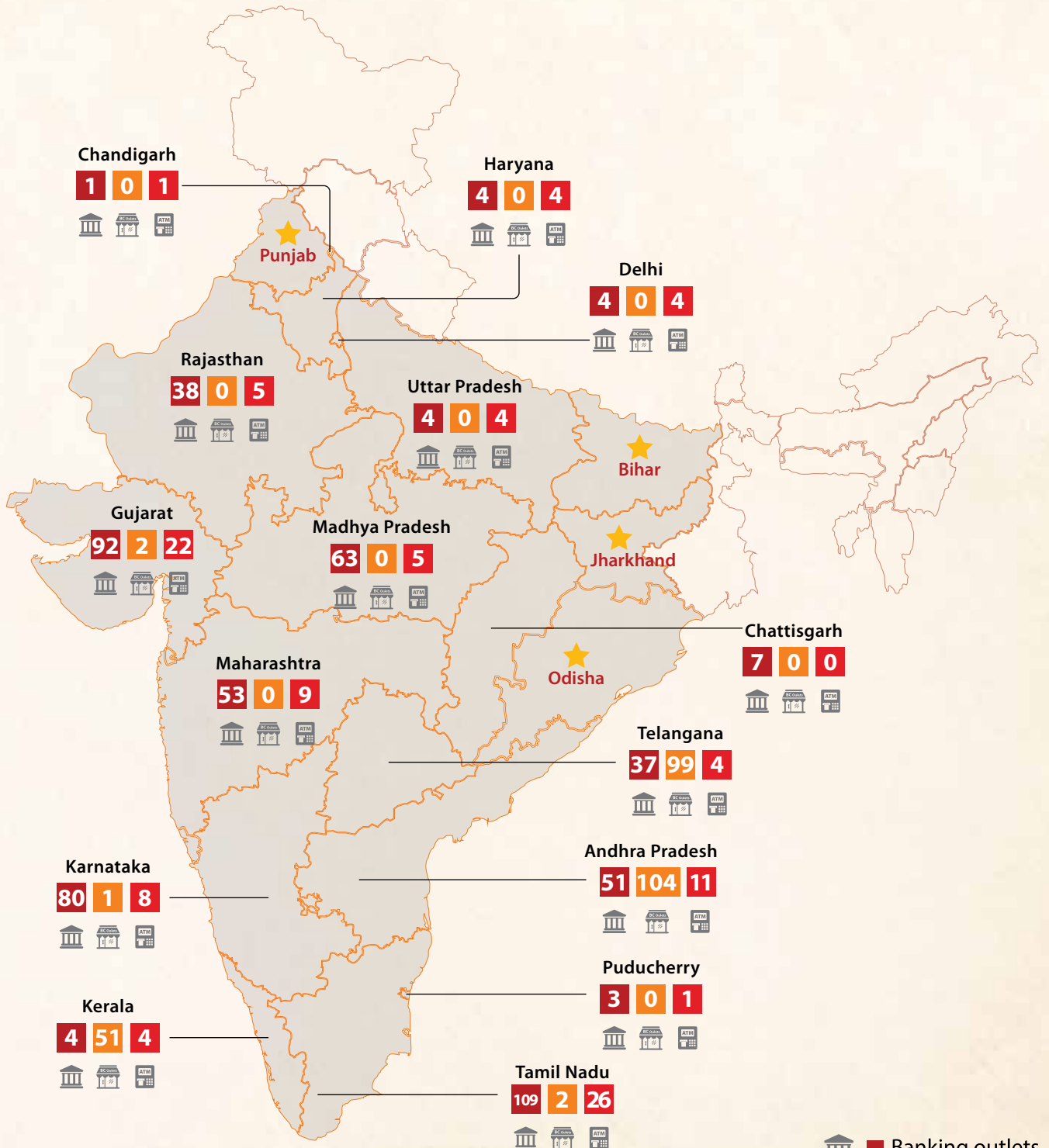


NBFC-MFI in 2013. In 2016, upon receipt of the RBI In-Principle Approval, the Bank acquired the micro-finance operations of FFSPL (which commenced microfinance operations in 2007) and later changed its name to Fincare Small Finance Bank.



Our presence

(As on 31st March, 2021)



-  Banking outlets
-  BC outlets
-  ATMs
-  BC-only states



Mission

To facilitate financial inclusion
of the unbanked and
underbanked households in
India with active participation
of the more affluent customer
segments



Vision

To build a best-in-class digital bank delivering value to all stakeholders

OUR BANK

The Fincare way

Commitment to how we do things



Passionate about Values



Rurban approach



Think customer delight



Win-win partnerships



Compliance in letter and spirit



Deliver predictable results



Imagine the future



Technology led processes

Our Product Basket

1) Deposit products

Savings Account



24,05,024

As on 31st March, 2021

Fincare 101 Account



2,27,215

As on 31st March, 2021

Current Account



3,873

As on 31st March, 2021

Recurring Deposit



1,69,836

Account holders as on
31st March, 2021

Retail Term Deposit



30,088

Account holders as on
31st March, 2021

2) Loan products

Micro Loan



20.85 Lakh
Customers as on 31st March, 2021

Loan Against Property



13,279
Customers as on 31st March, 2021

Loan Against Gold



23,223
Customers as on 31st March, 2021



Affordable Housing Loan



920

Customers as on 31st March, 2021

Institutional Finance



23

Customers as on 31st March, 2021



Micro banking outlet	Basic banking outlet
<ul style="list-style-type: none"> ● Location: Taluka headquarters. ● Customer segment: Focused largely on Microloans customers. ● Products & services: Microloans, Two-Wheeler Loans and Loan Against Gold. 	<ul style="list-style-type: none"> ● Location: District/Taluka headquarters. ● Customer segment: Focused on existing and new-to-bank customers. ● Products & services: Microloans, Loan Against Property, Loan Against Gold, Two-Wheeler Loans, Savings Accounts, Current Accounts, Fixed Deposits, Recurring Deposits.
<h1>298</h1> <p>Outlets as on 31st March, 2021</p>	<h1>162</h1> <p>Outlets as on 31st March, 2021</p>



Full service banking outlet	Business correspondent outlet
<ul style="list-style-type: none"> ● Location: Tier I & Metro locations. ● Customer segment: Focused largely on new to bank customers. ● Products & services: Offer a full range of banking products and services and are equipped with cash recycle machines. 	<ul style="list-style-type: none"> ● Location: District/Taluka headquarters. ● Customer segment: Focused Bank customers from low-income groups. ● Products & services: Similar to Micro and Basic outlets.
<h1>90</h1> <p>Outlets as on 31st March, 2021</p>	<h1>259</h1> <p>Outlets as on 31st March, 2021</p>

Where we stand



Gross Loan Portfolio
(₹ Crore)



Total Deposits
(₹ Crore)



Total Disbursements
(₹ Crore)



Total Income
(₹ Crore)



Net Interest Income
(₹ Crore)



Net Profit
(₹ Crore)



Gross NPA
(%)



Net NPA
(%)



Cost-to-Income Ratio
(%)



Net Interest Margin
(%)

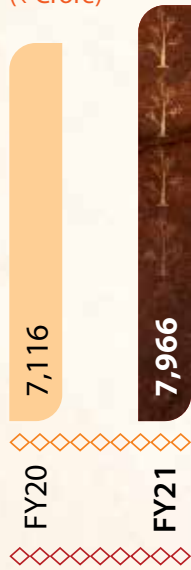


CRAR
(%)

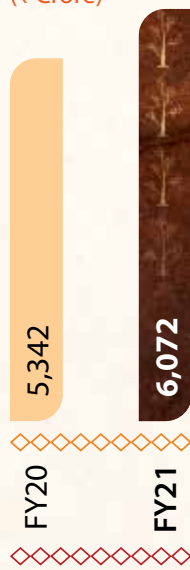


Our Performance *indicators*

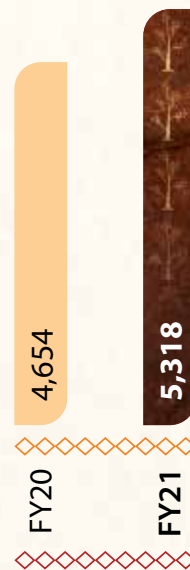
Balance Sheet size
(₹ Crore)



Gross Loan Portfolio
(₹ Crore)



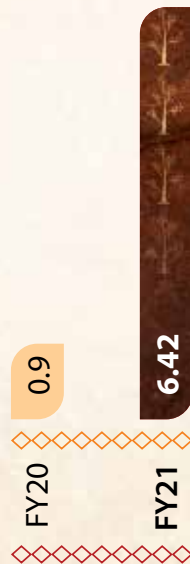
Total Deposits
(₹ Crore)



CRAR
(%)



Gross NPA
(%)

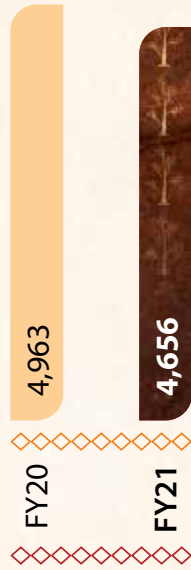


Net NPA
(%)

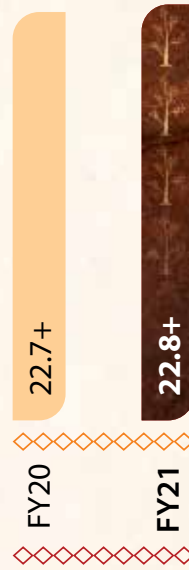




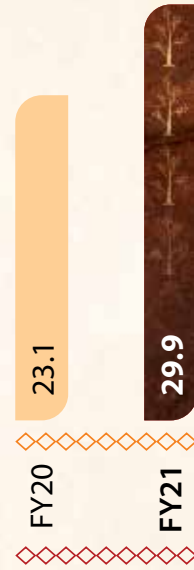
Total Disbursements
(₹ Crore)



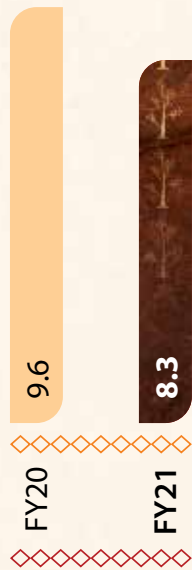
Active Loan Accounts
(No. in Lakh)



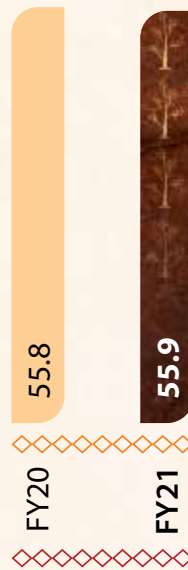
Active Deposit Accounts
(No. in Lakh)



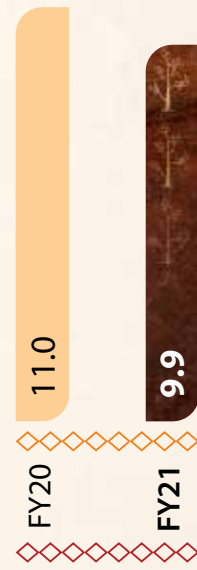
Cost of Funds
(%)



Cost-to-Income Ratio
(%)



Net Interest Margin
(%)



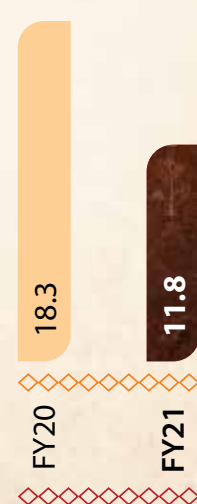
Net worth
(₹ Crore)



Return on Assets
(%)



Return on Equity
(%)



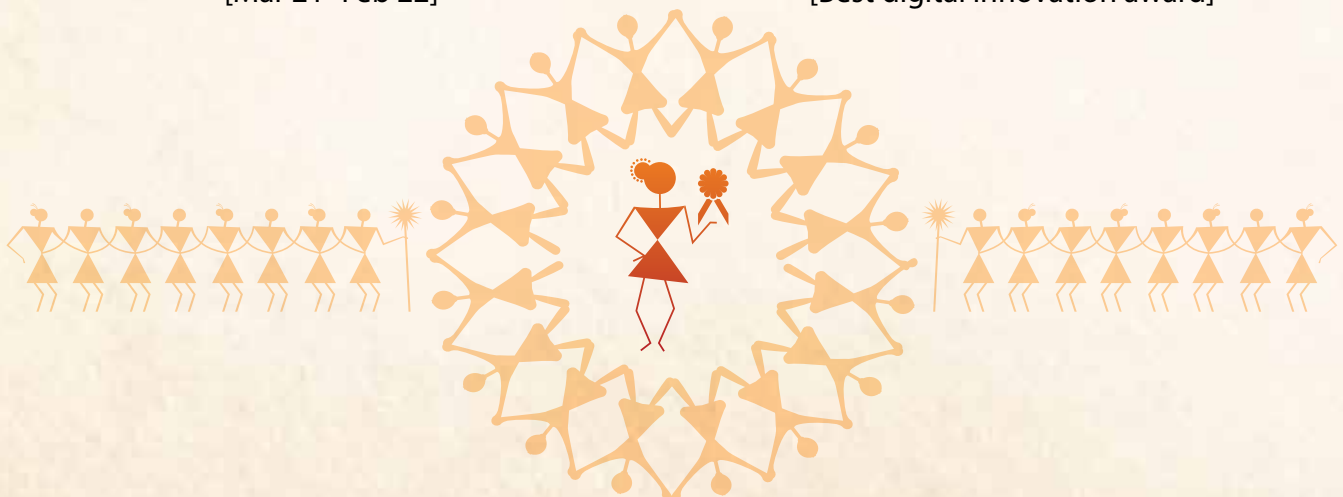
Our achievements



Certified as Great Place to Work
[Mar 21- Feb 22]



Drivers of Digital Award
[Best digital innovation award]





Finnoviti Award
[mCARE]



Inflection Award
[Best innovation in financial inclusion technology]





Our business lines/channels



Retail Banking



It's the human face of the Bank, where humility, empathy and service efficiency, more than anything else, make all the difference.

FROM a Bank's perspective, retail banking is the primary engine. Through this business line, the Bank interacts with lakhs of customers daily. Hence it becomes the ears for the Bank, to listen and comprehend the evolving customer requirements and to be able to ideate and launch relevant products and services.

Retail Deposits provides the required low-cost funds, essential for profitable business growth of the Bank. As such, the Retail Banking unit is core to the success of the Bank.

For the Bank, relevant products are the cornerstone of success in its journey as a small finance bank. The Retail Banking vertical serves a wide range of customers, including middle income, affluent and high net-worth individuals, senior citizens, non-resident individuals, small and medium enterprises, trusts / associations / societies / clubs (TASC) and financial institutions, offering them deposit products ranging from saving account, current account, salary account as well as retail and institutional term-deposits.

A powerpacked platform

In FY21, the Bank strengthened its bouquet of products and services and enhanced the reach of its services by leveraging the digital platform, that was well received by its customer segments.

The pandemic only stamped the relevance of the Bank's digital transformation. As a result, the Bank provided its customers with the convenience of opening online fixed deposit & savings account, besides doorstep and video KYC services.

In a period where social distancing prevailed, the Bank maintained its customer connect leveraging the digital platform - through webinars and digital onboarding initiatives.





Further, the Bank e-launched its branches during the year in Mumbai, Gandhinagar and Bangalore.

To enhance its product basket, the Bank added Go Digit as its General Insurance partner and Max Bupa (now Niva Bupa) as its Health Insurance partner. The Bank also launched Prime Savings account, a new offering in savings account segment targeting

professionals.

The Bank's sharpened its focus on CASA (Current Account & Saving Account) offerings that yielded a healthy improvement in the CASA ratio doubled over the previous year.



I have been associated with Fincare for 2 years now. Must mention the service provided is exceptional. The whole team is there to help and makes sure banking with Fincare is easy and hassle free. Keep up the good work.

Shatadru Datta
Hyderabad, Customer



OUR BUSINESS LINES

Fincare 101



When you can avail most of the banking services at your fingertips, why visit the branch!

THIS trend, especially among tech-savvy urban adults, is rapidly changing the face of banking.

In February 2018, Fincare Small Finance Bank launched the Fincare 101 Account, a convenience product, for time-constrained customers. This product allows customers to open a Bank account anywhere, anytime, in a matter of minutes.

The 101 Account has two variants- 101 First, a Zero Monthly Average Balance variant with all benefits of a regular savings account, and 101 priority, a ₹ 25,000 Monthly Average Balance variant with offers, benefits and free transactions.

The convenience and flexibility of the 101-Account has positioned the product as meaningful scale builder for the Bank.

Making the product more Powerful

VIDEO KYC - A Contactless technology - the need of the hour!

KYC has been a thistle by the side of the financial industry, especially since the Supreme Court's bar on Aadhaar-enabled e-KYC. The most recent RBI norms give the industry an earnest need Digital KYC, which makes the procedure paperless, and video KYC, which furthermore makes it remote.

The Bank introduced a Video KYC (VKYC) option which enabled the customers to open a completely digital Full KYC account with

the Bank. In FY21, 12,505 customers successfully opened their accounts with the help of this feature.

The Bank enabled an instant funding option for its 101 customers using the RazorPay gateway for seamless funding in saving account. RazorPay is one of India's largest payment gateways. This initiative gained traction with an average 50 accounts being funded every day since April 2020. During the year, the Bank also introduced 101 Insurance.



Rural Banking



The rural banking unit of the bank provides financial lifeline to the marginalized sections of the society.

Through this business vertical, the Bank aspires to give the under privileged masses a chance to live a better life and realise their dreams.

A significant portion of the Bank's loan portfolio comprises Micro Loans given to customers with a below-average credit risk profile and with lack of access to formal credit.

The bank's offerings in this segment comprise Micro Loans (Joint Liability Groups), Loan against Gold,

Loan against Property, Two-wheeler Loan, Savings Account, Term Deposit and Credit Life Insurance.

Over the years, the Bank has ensured that the Savings Account, and not the loan, is the new fulcrum of the relationship with the customer segment.

A powerful performance

While FY21 was a challenging year for metro and urban India owing to the lockdown, in most parts, rural markets continued to thrive. Owing to good harvest, government assistance for the rural masses and minimal impact of the pandemic, commercial activities continued unhindered. However, given the supply chain between rural and urban, cash streams and livelihood did see an impact.

The Bank remained cautiously optimistic in this phase and focussed on customer connect, expanding network, liquidity management and asset preservation. The Bank entered 42 new districts in the existing states. It also opened 45 microloan-focused outlets to widen its coverage.

Although disbursement was consciously muted for most part of the year, the Bank disbursed over 10.67 Lakh microloans amounting to ₹ 3610 crore with an outstanding loan book of ₹ 4843 crore as on 31st March, 2021. The microloans

portfolio registered a 13% growth over the previous year.

In FY21, the Bank opened savings accounts for over 2.13 Lakh microloan customers and disbursed loans directly to their accounts. With this initiative, the Bank crossed the 20 Lakh account milestone till 31st March, 2021.

During the pandemic and beyond, the Fincare team continued to connect with its rural customers to enhance their awareness on health-related emergency, Covid-relevant protocols, preventive measures et al. This was followed by sessions on knowledge about the moratorium announced by the Government and its benefits. The team handheld its customers through these tough times by helping them regain livelihood and employment.

This effort helped the Bank build connect and retain loyalty and as a result, the portfolio quality. The team managed to maintain recovery rate of above 94% in the non-lockdown period.



Loan against Property



This product is focussed on enhancing the 'secured' mix in the loan portfolio of the bank.

LOAN against Property is offered to both existing microloan customers, as well as open market customers engaged in agri-allied activities, small trade such as kirana store, wholesaler/distributor unit, small manufacturing unit etc.

The Bank's technology solutions enable it to provide best-in-class customer experience. Fincare Connect provides

customer with instant credit score and bureau reports.

The entire loan origination and underwriting process is carried out on D'Lite, the award-winning tablet-based solution, operationalised in 2017. 'D'Lite' solution, built on the state-of-the-art rule engine and credit scorecard and provides on-the-spot sanction, much to the customer's delight.

FY21 in retrospect

To tide over the pandemic challenges, the Bank adopted a target-based approach as against going wide across multiple geographies. It intensified the coverage of the business viable districts in the existing States of its presence. This resulted in a better conversion ratio (prospect to customer) and helped in delivering superior customer experience. While overall disbursement remained subdued, the customer base increased by 20% over the previous year.

Powering the product

The bank used the pandemic year to make modifications to the product suite. The Bank enhanced product acceptability by introducing:

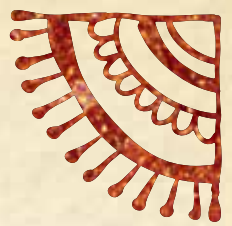
- 1) Balance Transfer Product with Zero Processing Fees
- 2) Pre-approved Top-Up loans.

Besides, it also developed

smart credit program including:

- a) Express GST
- b) Express Record To Report, with an objective of providing a quicker turnaround time.





Affordable Housing loan



Affordable housing is housing which is deemed affordable to those with a household income at or below the median as rated by the national government or a local government as per a recognized housing affordability index.

THE Bank bridged the gap between the dream and reality of people in semi-urban markets by introducing the Affordable Home Loan, to encourage house ownership among target customer segment.

The Bank has tailored its offerings to suit the varying needs and affordability of its customers. This loan caters to salaried and self-employed borrowers and is provided for purchase, self-construction, improvement of and extension of residential property. Additionally, these loans are designed to provide easy access to low-cost housing to income groups spanning economically weaker sections, in accordance with the Pradhan Mantri Awas Yojna guidelines.

The significant flexibility built into the product in terms of ticket size and disbursement has positioned AHL as a preferred solution among the target customer segments.

The loan can be customized with ticket size up to ₹ 50 Lakh and tenures of up to 20 years. As on 31st March 2021, the AHL book stood at ₹ 83 crore.

Key Differentiators

- Connector channel helps to touch last mile customers and deliver AHL services
- Instant access to view bureau scores basis customer consent and Aadhaar authentication
- Benefit of Pradhan Mantri Awas Yojna
- Acceptance towards mixed income and income clubbing in the family for better loan eligibility
- Expertise in dealing with imperfect collateral while ensuring top-notch risk management practices.

OUR BUSINESS LINES

Loan against Gold



A highly coveted asset for decades, gold has significant emotional and social value attached to it.

PEOPLE buy gold not just for personal use or for gifting, but also as an investment that can be leveraged in a difficult phase in the journey of life. The yellow metal is favoured as an asset class across ages, cultures and regions. This is owing to the ease of investing, wide acceptability and high liquidity.

FY21 in retrospect

Designed to meet short-term liquidity needs of micro-enterprises and self-employed individuals, Loan against Gold has gained significant traction, as the Bank extended this

offering across 76 new locations during FY21. The Bank widened its presence leveraging the business correspondent network as well. As of FY21, the product is available at 271 outlets across 13 States and 1 Union Territory.

The product gained considerable traction as focus of Institutions and customers shifted towards a collateral-based product. The Bank approved 63,000+ applicants and disbursed ₹ 731.59 Crore; the outstanding AUM stood at ₹ 353 crore as on 31st March, 2021. This vertical

maintained a portfolio yield at par with that in non-Covid times.

Making the product powerful

- Introduced tab-based gold loan application for processing disbursement, renewals & closures of Loan against Gold
- Introduced variant with monthly interest payment option
- Introduced short tenure products to help manage Loan to Value (LTV) margin and mitigate the risk arising from gold price fluctuation

The bank is planning to further build this vertical by using the Business Correspondent and third-party storage model. This will widen the presence to nearly all large cities in the

Bank's network. In addition to organic expansion, the Bank is exploring sourcing through digital channels. The Bank is developing an App to support a larger, multi-channel operating scale. A new product variant 101-Gold is planned for rollout in FY22.



Service points



Customers



Assets under management (₹ Crore)



Y-o-Y Growth in Gold Loan portfolio

OUR BUSINESS LINES

Institutional Finance



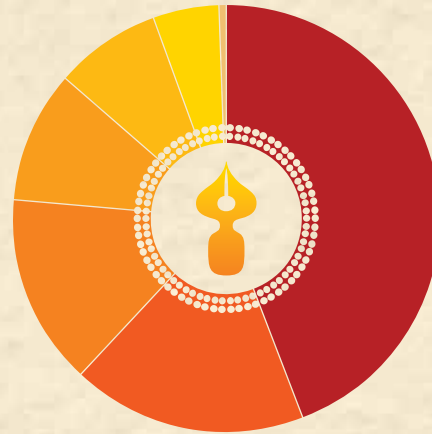
The Bank offers wholesale loans to institutional customers, for onward lending, operating in geographies or sectors where there is no overlap with its existing business

THE target customers for this business line are NBFCs, primarily those engaged in micro finance, vehicle finance, and other asset finance. For the Bank, this line establishes the Bank's presence in the large and growing NBFC lending space by efficiently utilising its existing infrastructure and resources.

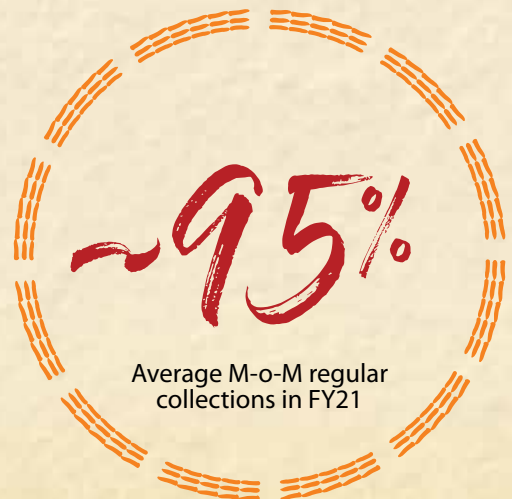
FY21 at a glance

The Bank closed FY21 with a Portfolio of ₹ 90.31 Crore. During the year, the Bank disbursed ₹ 30 Crore. As on 31st March 2021, the Bank has 23 active NBFC partners operating in sectors spread across 25 States and 1 Union Territory. All the loans are backed by hypothecation of receivables.

Sectoral Mix - 31st March, 2021
Sector-wise portfolio (₹ Crore, %)



● MFI	40.0 (44%)
● Fintech	16.0 (18%)
● 2W	13.1 (15%)
● UCV	9.1 (10%)
● Intermediary	7.3 (8%)
● LAP	4.4 (5%)
● Gold	0.4 (0%)



Business correspondent Channel



As India continues to accelerate its economic agenda, the task at hand is more mainstreaming of the population in rural India which is unbanked or under banked.

To align with the Government's clarion call on financial inclusion, the Bank took the Agency Channel route to extend banking facilities to far flung pincodes in a cost-effective and efficient manner.

From establishing its presence through this channel initially in 2 states in FY19, currently the Bank has instituted a meaningful presence in 13 states and Union Territories.

The Bank offers a wide array of products through this channel, including saving account, Current account with cash-in cash-out services, Term Deposit and Loan against Gold.

FY21 in retrospect

- The Unbanked Rural Business Correspondent (URBC) channel expanded to Kerala.
- BC outlets increased to 253 against 202 in FY20.
- 1 Lakh Microloan customers added in Uttar Pradesh, Bihar, Jharkhand, Telangana and Odisha.
- 70+ training sessions organised for BC partners towards capacity building and capability enhancement.



Digital Banking



DIGITAL has encapsulated the bank branch into the customer's mobile/computer screen. Almost every banking facility is now available at the fingertips. Millions of transactions happen in the invisible space. Banking is now truly 'Smart'.

The Bank has been an early adopter of digital initiatives. This strategic mindset and approach has helped the bank deliver delight for customers and earn respect from all stakeholders. In FY21, the Bank was awarded for Digital Banking at the 'India Banking Reforms Conclave & BFSI Awards'.

Digital Banking continues to be a growth catalyst for the Bank. With 'digital' becoming the DNA of all front-end and back-end operations, digital has become the default mode of building products and processes at the bank.

The Bank has embraced the 3A philosophy - Automation, Analytics and Algorithms- with a view to enhance customer experience, people efficiency and process controls. It has a dedicated in-house Digital team, focused on design, development and maintenance of core Digital applications and ensures that the bank continues to remain best-in-class in a rapidly evolving banking technology landscape.

In FY21, the Bank continued to tread its digital journey by launching solutions that are designed to enhanced customer convenience and delight.

OUR CHANNELS

Fincare 101: The application allows opening deposit account digitally through a Video KYC (VKYC) option that eliminates the need to visit the Branch. It enables to permit funding of the account via Razorpay, one of India's largest payment gateways.

Mobile banking: The Bank added new features and products to its Mobile Banking interface. Using the app, customers can apply for a virtual debit card, transfer funds and open recurring deposit account.

Internet banking: The Bank enhanced its Retail and Corporate Internet Banking applications, including introduction of Positive Pay (addition, modification, deletion, enable and disable positive pay), RD facility, RTGS 24*7, and revamped the account statement.

WhatsApp banking:

WhatsApp Banking was enhanced from a Menu-driven interface to Natural Language Processing (NLP) based Multi-lingual conversational BOT. Also, different keywords across deposit and asset products were introduced and several notifications and promotional messages were triggered.

Payment gateways: The Bank partnered with multiple gateways to strengthen its online banking offering to its customers. On the payments front, the Bank introduced two important services.

1) Aadhaar enabled Payment Service (AePS): Aadhaar linked bank account holders can avail basic banking services using the Aadhaar Card and biometrics. This service went live across all Banking outlets, including BCs and was well received by customers.

2) BBPS (Bharat Bill Pay Service): This channel offers Anytime Anywhere interoperable Bill Payment mechanism. Using this, customers can pay loan dues through channels such as PhonePe, Paytm etc. This channel registered ~3,000 transactions per month since launch.

Assisted Banking Channels

The Bank offers most of its retail products and services to customers at their door step. The key Assisted Banking applications are: (1) NanoBanking (for sourcing deposits), (2) D.Lite (for sourcing mortgage loans) and (3) LAG application (for onboarding Loan against Gold customers).

NanoBanking: This application is currently being used by 7,000+ users every day across all Banking outlets and BCs. In FY21, the Bank expanded the products offered through this channel. The additions include CASA linked FD, Standalone FD, Aadhaar Cash Collections, Green PIN & AePS services. It also revamped the Cash Operation feature and flow.

NanoBanking got the spotlight even more during the pandemic – 59,000 + accounts were opened and 6.2L + transactions were posted through Nanobanking in FY21.

D.Lite: This tab-based loan origination solution for Mortgages gained significant traction in FY21 as the number of applications processed increased from the previous year. The turnaround time (TAT) reduced from ~11 days in FY20 to ~8 days in



OUR CHANNELS

FY21.

Some other key modules / features introduced were:

- Lead qualifier layer, named 'PreQ' to filter leads with minimum data before login.
- End-to-end integration for automated loan creation and disbursement: This helped the team achieve back-office automation thus saving precious man hours per month. The legal and valuer details section also got added in the workflow.
- Enhancements in the sourcing algorithm and the Credit Risk Rating model.
- Regulatory projects covering IDAM integration, Aadhaar Data-vault, Credit Linked Subsidy scheme.
- New and express products.
- Enhancements to web-module to enable it to handle change requests which contributed to 96% reduction in back-end change requests.

Loan against Gold Application: Designed to source LAG customers, this application was digitized - from lead generation to

loan booking. The Bank introduced new modules to this application namely, loan renewal and loan closure. Since launch in Jan 2020, 9,050 customers got on boarded through this application.

Fincare Connect

In FY21, the Bank launched an in-house application to handle leads generated by its channel partners for LAP, AHL and LAG. This application is designed to onboard channel partners, called Connectors, for sourcing leads. The application is integrated with UIDAI and Credit Bureau for eKYC and instant credit bureau check. The entire connector onboarding and lead generation is a paperless process that takes just 5 minutes. The application is seamlessly integrated with D.Lite (the Loan Origination System). This application also automated the invoicing and pay-out to connectors thus enhancing their engagement.

Launched in May 2020 the Bank onboarded 13,277 connectors through this application. About 20% of LAP and AHL business raised in FY21 was through the Connector App.

mCARE

It is an app exclusively created to help provide microloans to women in rural India, which has significantly optimised the Turn Around Time (TAT) between customer onboarding and loan disbursement. The Algorithm based Instant Credit Underwriting, the Maker-checker functionality for robust screening of loan application and robust authentication process enabled with e-Auth at the time of disbursal, ensure quality of business. The interesting SMS alert feature at intermediary stages to intimate the customers on progress of loan appraisal has been appreciated by customers.

mSERVE

mSERVE compliments mCARE. While mCARE is an onboarding app, mSERVE is a collection application which comprises of offline and online modules to assist

field collections for loan as well as RD instalment. This comprehensive solution allows for accurate and real-time posting of collection to the Loan Management System (LMS) and e-receipts to customers. This application also assists the field staff in evaluating center behaviour.

Others

The Bank introduced multiple solutions through MS Kaizala for workforce management and communication. Digital cards, related to HR actions, such as awards nomination, attendance updation, location transfer etc. were launched through Kaizala.



Mobile Banking



The mobile has evolved into a critical lifeline already and the dependence on it is increasing by the day.

As per an estimate, in February 2021 alone, approximately 88,000 mobile apps were released on the Google Play Store. In keeping with this reality, the Bank took its Mobile banking interface to another level with enriched features and products to elevate the customer experience.

Launched in September 2017, the Fincare Mobile Banking service is operated through a secure and user-friendly App using which, the customer, both retail and corporate, can transact from anywhere and at anytime.

Making Mobile more Powerful!

- Implemented SIM and device binding feature to prevent frauds and leak of customer data. Binding of devices with SIM allows access to only Mobile Banking features.
- Launched virtual debit cards in September 2020.
- Facilitated opening of Recurring Deposit in the account.
- Introduced visibility of Positive Pay and Loan accounts details.
- Provided facility for fund transfer and opening Term Deposit using mobile interface.



Term Deposits per month



Recurring Deposits in February & March 2021



Virtual cards in FY21



Fund transfer transactions every month





Our support functions



Branch operations

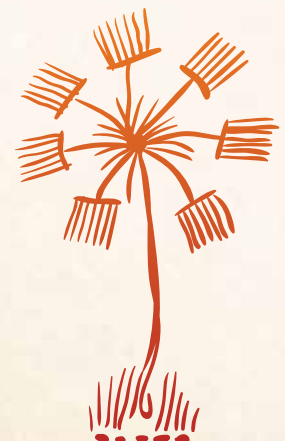
The banking outlets are effective when the branch operation unit functions efficiently.

KEEPING the cost-benefit equation in mind, the Branch Operations unit sharpened its focus on digitising and simplifying banking processes to provide seamless and superior customer experience.

Making services Powerful

Some initiatives implemented during the year were as follows:

- Reshuffled the Aadhaar-desk based on footfall and performance.
- Extended the CRM tool to all banking outlets leading to better customer support and reduced Turn Around Time (TAT).
- Enabled the cash operations module on Core Banking System for all banking outlets.
- Enabled Gold Loan processing through Tab-based Nanobanking Application.
- Funded all on site ATMs from the branch, resulting in better control and cost effectiveness.
- Conducted 'ATM Day' PAN India to improve footfalls and increase new customer acquisition.
- Introduced 'Pay for Self' via which banking outlets sourced cross-sell leads, with a conversion rate of 81%.



AADHAAR Centers

The AADHAAR service desk project is focused on rural India, servicing individuals who are challenged to travel to city centers or AADHAAR Kendras located far off from their village.

THESE centers provide services related to updation of AADHAAR details, new enrolments and mandatory biometrics. In less than two years since inception, the Bank has established its base in more than 100 outlets catering to 20,000+ villages. These centers offer services to all citizens, customers and non-customers, at a subsidised rate.

FY21 in retrospect

- Contributed cost savings of ₹ 5.8 crore towards OTP & e-KYC charges that the Bank incurred on monthly basis.
- Generated revenue of ₹ 0.45 crore as a part of AADHAAR services.



Key Milestones



Central Processing Center (CPC)

The Central Processing Center is the key pillar of the Bank as it handles the backend operations for the entire suite of loans, deposits and third-party products, with the objective of providing uniform and superior customer service.

CPC provides services such as handling Accounts, Customer requests, disbursements of LAP, AHL and efficient operation of payment channels by managing on Payment and Transaction Management Services (PTMS), including Third-Party Payment (TPP) operations. Its process management ambit covers CTS (Cheque Truncation System) NACH, RTGS, NEFT, AEPS, BBPS and all electronic payments. It also covers reconciliation process of ATMs, UPI, PoS, IMPS, utility bill pay and settlement of General Ledgers.

During the FY21, the unit focused on cost saving initiatives such as paper and courier costs, microloans and LAP process re-engineering etc.

The other initiatives included:

- Enabled collections for field staff through Kaizala to maximise error free transactions.
- Introduced Aadhaar cash collection module in Nano Banking application to enable smooth processing.
- Introduced Chat Bot facility for statement generation for microloan customers at the Basic Banking (Pragati) banking outlets.
- Enhanced Quality Control process of Fincare-101 accounts and Nano Banking for improved compliance.
- Enabled option of updating Form 15 GH through Internet Banking and Mobile Banking.
- Enabled Re-KYC updation through internet banking.
- Implemented Video KYC for 101 account opening & achieved 60% success rate in conversion (2nd Bank on digital platform to implement VKYC).
- Automated FD interest & maturity payout process (proceeds remitted even on holidays).
- Implemented RTGS/NEFT - 365 days (24/7).
- Implemented FRMS for Real time monitoring of customer transactions for detection and prevention of financial fraud and safeguarding the customer's account.
- Implemented CTS Positive Pay in IB/MB.



Customer Service & Contact Center

In the present era, where most banking products are replicable, customer centricity is a true differentiator that aids in transforming transactions to lasting relationships.

THE digital era has amplified the need for empathetic customer centricity.

For the Bank, customer service is more demanding owing to a diverse customer base, spread across India and Bharat.

The Bank's customer service strategy is hooked on gaining a clear understanding of most common requirements of each customer segment. The Bank has set up a multi-channel interaction platform to seamlessly service its diverse and large customer base comprising tech-savvy urban customers at one end and rural low-income, low-tech customers at the other.

The Bank provides the following channels to its customers:

1) Call Center

The Bank's multi-site call centre handles in-bound and out-bound calls in eight different languages. During FY21, the centre handled 3.67 Lakh calls with 86%

First call resolution rate. As part of the Customer Management Process, the Bank measures the Net Promoter Score (NPS) to analyse customer satisfaction. In FY21, the Bank recorded an average NPS score of 68.

2) Chat

The Bank's Chat option on its website allows the customer to interact with experienced customer service experts. This communication platform gained acceptance and by the end of FY21, the usage jumped to 150 chat messages per day.

3) WhatsApp Banking

Over the recent past, WhatsApp has emerged as the preferred medium of text communication across ages and cultures. In order to strengthen the customer connect, the Bank introduced WhatsApp banking services via a multilingual conversational BOT. The Bank was among the first to introduce this service in the Indian banking sector. This platform elicited a welcome response; by the end of FY21, 18.72 Lakh customers were activated on this channel.





4) E- Mail

Despite newer communication platforms, the E-mail tool continues to be used extensively - especially those involving detailed communication and attachments. The Bank offers this option to all its customers - either direct mails or through the website. During FY21, the Bank received and responded to 49,500 e-mails.

5) Customer- connects meetings at Banking outlet

The Bank runs MILAAP, a monthly face-to-face customer interaction forum, across all its banking outlets. During FY21, keeping in mind the Covid-19 appropriate protocols, all MILAAP sessions were conducted virtually.

Powering Bank’s customer commitment

1) Customer service monitoring:

The Bank has a well-defined framework to monitor key Customer Service metrics. The Customer Service Committee of the Board and the Standing Committee on Customer Service meet at regular intervals to discuss this agenda. These forums address the issues faced by customers and the initiatives taken by the Bank for raising the standards of Customer service.

The Bank complies with the “Customer Rights Policy” which enshrines the basic rights of customers, including Right to fair treatment; Right to transparency; Fair and honest dealing; Right to suitability; Right to Privacy and Right to Grievance redress and compensation.

2) Customer Grievance Redressal Mechanism:

The Bank seeks to treat its customers fairly and provide transparency in its product and service offerings. The Bank makes continuous efforts to educate its customers to enable them make informed choices regarding banking products and services. The Bank also seeks to ensure that the products offered are based on an assessment of the customer’s financial needs.

The Bank has a well-defined grievance redressal mechanism with clear turn-around times for providing resolution to customers. All complaints received by the Bank are recorded in a Customer Relationship Management system(CRM) and tracked for end-to-end resolution. The Bank also has an internal mechanism for escalating complaints and ensuring redressal within the stipulated time frame.

Further, as recommended by Reserve Bank of India, the Bank has appointed a senior banker as its Internal Ombudsman. The Customer Service Committee of the Board, Standing Committee on Customer service and the Branch Level Customer Service Committee, all monitor customer service at different levels.



Technology

With the objective of providing a unique and delightful customer experience, banking has undergone a tectonic shift in technology.

TODAY, customers can access almost every banking product and avail of every banking service from the comfort of their home. Millions of transactions happen every minute leveraging technology platforms that never existed even five years ago. Technology has completely changed banking; it has become the backbone of the banking ecosystem in India and across the globe.

Our Bank has prudently leveraged technology to balance its 'high-touch & high-tech' strategy wherein high-touch enables it to nurture customer relationships and the right tech allows it to delight customers with timely and efficient services.

Prudent technology solutions, pivoted around customer segments, have enabled the Bank to emerge as 'digital-first' in its space. Going forward, the Bank is working towards becoming a complete 'Smart Bank'.

With this objective, the IT team successfully implemented multiple IT solutions to improve business process, strengthen IT infrastructure and its reliability.

1) IT Applications

- Strengthened Core Banking System with many additional features to meet the Business and Regulatory requirements.
- Strengthened Fraud Risk Management System with more business / risk management rules to minimise online frauds.
- Implemented AEPS (Aadhaar Enabled payment Services) to fast-track financial inclusion and serve the underbanked sections of the society.
- Revamped Customer Relationship and Phone Banking systems with additional features to facilitate addressal of majority of customer queries through the phone banking system with speed and efficiency.
- Enabled Digital One-Time-Combination (OTC) locks in all ATMs to mitigate against risks in ATM operations and enhance security.
- Started the journey towards building an Online Dispute Resolution system to help customers lodge their queries and complaints online and get an instant response.

2) IT Infrastructure

- Upgraded core IT infrastructure at all corporate offices and Central Processing Centers with high availability to avoid single point of failure. The Bank was able to maintain high availability of its IT infrastructure (close to 100%) even during the pandemic lockdowns.
- Conducted Disaster Recovery drills periodically covering all applications to ensure seamless operations and business continuity.
- Set up a Network & Security Operation Center. It has put in place real-time monitoring of these assets to prevent security incidents and infrastructure failures.



People

Take care of your People, and they'll take care of the business.

THIS philosophy entails building a culture of empathy and inclusiveness, the bedrock of the Bank's journey. In FY21, thanks to a global health crisis, health and wellbeing was in focus. The Bank went beyond the call of duty to take care of its most valuable resource, its people. The Bank introduced a comprehensive suite of initiatives to support, monitor, engage, and empower its workforce and foster a culture of true care.

Covid Fightback - The Fincare Way!

The Bank took strong measures in ensuring safety of its staff during the lockdown period and beyond. The HR and Administration teams worked closely to ensure a regular channel of communication with all active Covid-cases, in order to provide timely support. As the pandemic spread across the country, the Bank put in place comprehensive measures to curtail the

risk of fatality among staff. Some of the other important measures were:

- **Message from Leadership team:** On-going communication by the leadership team via multiple forums in order to reassure staff about availability of all forms of support.
- **Staff Advisory:** Creative posters shared across all offices providing awareness about Covid-19 and the necessary precautions to be taken, at home and in the workspace.
- **Standing Together:** Support extended at every step during the pandemic, right from providing safe travel to native place during lockdown (stay home, stay safe), to the phase of returning to base

location (ghar-wapasi) to infrastructure changes to improve hygiene (life and livelihood), to restoring normalcy in operations.

- **Support Group:** The Bank institutionalised a practice of creating a WhatsApp group for each positive case. The Group consisted of the concerned staff, a family member, HR, Admin and Supervisory staff, Functional Head, COO-Operations and Chief People Officer, to monitor the health status. Doctor calling and hospitalisation support was also provided in case of need. This helped in regular interaction, monitoring and coordination. A daily

checklist of updates was created. The presence of the leadership facilitated in timely decision making especially in cases of hospitalisation.

- **My Oxi-reading:** The Bank provided Pulse oximeters and thermometer to all suspect positive cases. Doorstep delivery of equipment was organised wherever required.
- **Hello Doctor:** The Bank empanelled specialist doctors (for multi-lingual support) and put in place a tele/video-calling arrangement - the doctors called the staff/family member twice every day to check on the health of the person and prescribe



SUPPORT FUNCTIONS

People

medication. Between April and December 2020, 10,000+ calls were made by the empanelled doctors.

- **DocOnline:** In October 2020, the Bank tied-up with DocOnline, a leading online Doctor consultation platform, offering services for providing consultation with qualified, expert and experienced medical practitioners. Under the arrangement, 439 team members availed free e-consultation and e-counselling services.

In conjunction, the HR team spread awareness on the subject of wellness through monthly staff-webinars.

- **Daily Health Tracker:** The Bank initiated a daily health tracker with details of all suspect positive cases- the tracker was shared with the leadership team twice-daily. A regular update was also shared with the Board of Directors.
- **Work from Home:** The Bank shifted most of its back-end processes to the

online mode and digitised many customer-facing processes. Thanks to the proactive digitisation efforts made by the Bank even prior to the pandemic, the shift in the work-mode did not have a material impact on people's productivity.

- **Re-start guidelines:** To reduce apprehensions and concerns, the Bank issued detailed guidelines to be followed for resuming work-from-office operations.

- **Reimbursement of Vaccination:** The Bank conducted extensive awareness and encouraged the staff members to get vaccinated. The Bank also reimbursed the cost of vaccination of its entire staff. The vaccination coverage picked up once the Government extended the age limit as well as availability.



Special Covid Package

- Special Covid leave- 14 days over and above CL & PL Balance.
- Reimbursement for Covid test- ₹ 5,000/-.
- Quarantine allowance- ₹ 5,000/-.
- Post Covid care allowance- ₹ 5,000/-.
- Ambulance on Call-service made available across 30 locations.
- Additional hospitalisation support at a private hospital- cost borne by the bank.
- Covid-19 hospitalisation included in Group Medical Cover.

ChaloKuchCarona

The bank launched CHALO KUCH CARONA - an engagement group on Kaizala for all colleagues. The purpose was to alleviate mental stress and enhance engagement under the 'Work from Remote' arrangement.

Through the channel, daily activity challenges were organised. The themes included health and fitness, positive thinking, yoga, creative activities like painting, cooking, dancing, singing, instrument playing and many more.

Using the platform, a 'Junior Talentscope' was launched to encourage staff's children in an offline activity like painting, poetry, fancy dress, slogan making, cooking and posting the pictures in celebrity pose/ best attire. The initiative received heartening participation across the bank.

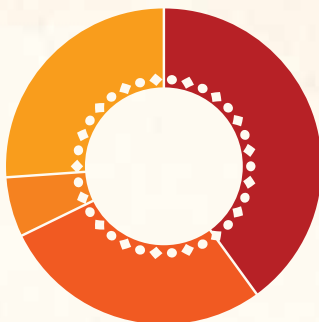


TFF (The Fincare Family)

The Bank takes pride in largely organic growth of its workforce. The Bank hires mostly through referrals by the existing people. This positions our staff as ambassadors of the Bank and inculcates a familial bond.

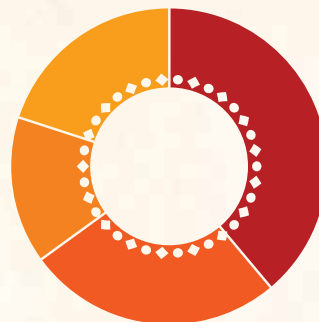
More than 1,000 colleagues provided at least 1 referral in the past 12 months. The Bank has a well-defined Staff Referral policy in place that makes referrals a rewarding experience.

Primary sources of talent for field roles



● Referral	40%
● Walk-in/Direct	28%
● Newspaper advertisement	6%
● Others	26%

Primary sources of talent for non-field roles



● Referral	39%
● Placement agency	26%
● Walk-in/Direct	15%
● Others	20%



Rewards & Recognition (R&R)

The Bank's R&R program is designed to celebrate staff, who go extra mile in servicing the customer and colleagues, thereby demonstrating values and upholding the Bank's image. FY21 was a year when our customer facing teams, across banking outlets, emerged as true Covid-warriors, risked their own welfare at times and went beyond the call of duty in order to service the customers in remote areas.

In response, the Bank ensured zero job-losses due to Covid, allocated a sizeable budget for enhancing facilities/ infrastructure across banking outlets and residential facilities, added stay facilities for locations with high occupancy, organised travel arrangements to and from their native place, among others.

The special efforts made by on-ground teams in ensuring continuity of the banking services was also recognised. The Bank announced a special bonus for more than 3300 members of the workforce.

As part of the annual appraisal exercise, commitment to the cause was an added dimension and 1000 deserving candidates received promotion during the year.

HRiDay

Being a high touch business, the HR team prides itself in conducting interaction sessions at all offices at least once a quarter. During HRiDay (HR Day), (HR Business Partners) conducts an interactive session covering.

- Key HR policies/practices.
- Sharing new initiatives at the Bank/People function.
- Handling grievances and

concerns.

- Spending 1-1 time with colleagues.

During the pandemic, the team shifted seamlessly to virtual HRiDay using Bluejeans.

SUPPORT FUNCTIONS

People

The Silent Hour

During the pandemic, work from home became a norm for majority of the teams. This new work culture blurred the boundary between work and home - most people worked beyond the normal working hours which impacted the work-life-balance.

In this regard, the Bank introduced "The Silent Hour". It helped create a clear boundary between personal and work hours and helped in making work-from-home arrangement more effective.

Learning and Development

The Bank has instituted a Training Roadmap for Each Employee (TREE) in order to ensure that each staff has a well-defined annual training plan detailing the number of hours, frequency/type of mandatory programs. The Bank initiated adoption of a Learning Management System (LMS) through an industry-leading vendor in order to strengthen its Learning & Development framework. The LMS went live in Q2 FY22.

Learn and Lead: A

specialised training partner-supported initiative, this includes a choice of training programs based on role and stage of career. All modules were offered in an e-learning mode in order to support the continuous professional development.

Coverage: 91%

Tete-e-tete with the top

1) Leadership Connect

A Leadership connect program organised for staff at mid-senior levels, wherein the MD&CEO along with the Leadership team communicated their views concerning staff health and safety, industry developments and progress made by the bank on its key goals.

2) Chat with CEO

This Kaizala tool was set up to allow free flow of questions to the leadership team. During FY21, questions regarding the future direction of the bank, new product and digital initiatives, steps for employee well-being, key

expectations from the staff during the pandemic, steps taken to support customers suffering due to pandemic etc. were raised and responded.

NPS (Net Promoter Score)

The Bank conducts Staff-NPS survey to assess the satisfaction levels and morale of staff. The NPS for FY21 was 21 vs 19.7 in previous year.

Great Place to Work Survey Certification:

The Bank has prided itself on providing a holistic professional journey-challenging work that leads to professional growth, familial workplace that fosters camaraderie and passion, a noise-free and politics-free environment that yields collaboration and commitment.

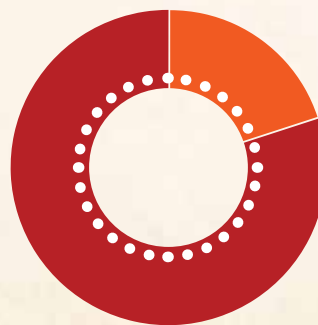
Over the years, the Bank has received several awards

and accolades for its people practices. Among others, in March'21, the Bank got certified as a 'Great Place to Work' by the Great Place to Work Institute.

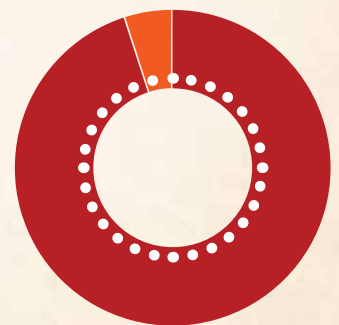
With its continuous attempt at being an 'employee-first' brand, the bank is committed to the well-being and happiness of all Fincarians.



Headcount mix at the Bank as on 31st March, 2021



By function
 ● Corporate 20%
 ● Business 80%



By role
 ● Non-field 5%
 ● Field 95%

Marketing

The Bank redefined its brand positioning with the launch of the 'Wish More, Get More' campaign, a call which inspires customers to ask for more and which the Bank aspires to work more to fulfill.



THIS ethos is clearly reflected in the Bank's journey so far. From basic banking to a unique instant financing proposition, from offering one of the best rates on savings accounts and Fixed Deposits to making progressive investment in digital, the Bank has continued to delight its customers.

The Bank's determination to bring progress to the life of its customers has enabled it to cross the milestone of 28+ Lakh customers in FY21. The Bank launches new products and services carefully and only if it addresses customer needs in a meaningful way. Every launch involves customer awareness programmes, well-designed clutter-free marketing campaigns, and relevant Public Relations and media outreach. This aids in generating confidence among target customers and strengthening the Bank's equity as a sensible, mature and caring brand.

Improved digital engagement with clients

The Marketing and Communication team developed a plethora of communication elements to connect with customers during the Covid-19 induced lockdowns. Messaging that helped connect with customers to understand their realities and provide assistance to the extent possible.

Moreover, as digital channels emerged to be the preferred means of banking, the Bank undertook numerous initiatives to educate customers about healthy and fraud-free usage of digital platforms and built confidence among customers to use these channels effectively. All this was done through digital medium. The Bank also partnered with Swiggy & Clear tax to improve transactions and brand awareness.

Staff connect programs

The Communication team continued to maintain strong connect with Fincarians by keeping them motivated allaying fears caused from the uncertainty prevailing in the environment. The



Marketing team conducted webinars to engage with the people on numerous topics, mainly health and wellness related. In FY21, the bank conducted 44 such webinars with ~3500 attendees.

Branch network expansion

Branch launches are a frantic activity from a branding and marketing viewpoint, as it is known to create awareness in the ecosystem which grabs eyeballs, generates footfalls, and ultimately helps to convert leads into business. The marketing activities at banking outlets include floating campaigns, roadshows, PR outreaches, kiosk campaigns, customer connect programmes, among others. During the year, the Bank expanded its footprint with the launch of 94 new banking outlets across formats. The Marketing unit ensured uniform branding and messaging across outlets.

Rebranding

Freshness always catches the eye. It is with this objective that the Bank initiated its rebranding

process. It helped cement the Fincare brand and its story in the public mind. In FY21, 443 banking outlets were rebranded.

Below the Line Marketing

The Bank conducted BTL activities like PUC check camps, Aadhaar Camps, distribution of Plantable pens, in order to gain traction and build brand connect among customers. Initiation of co-branding and wall branding activities were also conducted. These activities generated ~4,500 leads across multiple product lines.

Airport branding

A new initiative, the Bank extended its branding to airports to create awareness among the well-heeled. The Bank covered three high-footfall airports namely Mumbai, Ahmedabad, Delhi. This helped the Bank in gaining considerable visibility in these markets.

Creatives & Videos

The team developed various marketing and promotional creatives to attract customer attention to its product and service launches. Video-based messages were sent

out to target segments and were well received on social media platforms. In FY21, 500+ creatives and videos were released across all platforms.

Social Media

The bank focused on Online Reputation Management across all the Social Media handles - Facebook, Twitter, LinkedIn, Instagram, Playstore, Apple store. The 'Wish More, Get More' campaign and associated brand positioning were publicised on all platforms. Updates about launch of banking outlets, posts on smart banking products, promotional and informational videos, safe banking tips, fraud prevention etc. gave a boost to both brand salience as well as lead generation efforts across verticals. The Social media followership observed 200% growth Y-o-Y.

Public relations

The Bank, through its PR initiatives, focused on forging a stronger bond with its stakeholders and sectoral opinion makers. In FY21, PR activities were conducted with 9 press releases related to branch launch/product launch and

other activities.

Blog Management

The Marketing team released regular blogs and online content on customer-relevant topics such as cyber security, financial planning, among others in order to build thought leadership on these subjects. The content was fairly well received by the consumers. It established the Bank as a knowledge sharer.

Multi-lingual Collaterals

All customer-oriented collaterals were created in multiple languages to build superior customer connect and awareness. This also depicted the Bank's customer centricity. In FY21, the Bank developed 500+ communication collaterals in 9 languages.

Additional initiatives amid Lockdown times

The Bank leveraged the lockdown to strengthen its connect with its people. For this, the Bank implemented numerous initiatives which helped Fincarians in navigating through the pandemic and the lockdown. The team delivered multiple creative and engaging communication and collaterals to support the 'Chalo Kuch Carona' initiative; the creatives were well received by the audience.



Finance

Finance is an essential element for a successful functioning of the Bank and involves a broad range of roles/jobs to carry out within or outside the Bank.

AT the Bank, the Finance function ensures efficient financial management, Financial Control, Audit, Regulatory reporting, P&L, Taxation, FP&A, Treasury and Fund Raising - which are essential to support the business activities. The Finance function of the Bank, works to ensure that all the underlying numbers are appropriately captured. Book-keeping and controls ensure appropriate reconciliations are done for all internal or external activities.

The Bank has a well-defined structure with a dedicated team of professionals to run the function.

Driving Automation and Digitization: Automation and Digitalization have been used extensively for all back-end processes of the Bank. The adoption of data analytics and emergent technologies has had a positive impact on its financial reporting system. The Bank's Internal P&L is reported by first of every month (First time Zero defect and on-time). The Digital transition has facilitated significant reduction of costs, revenue optimization, higher productivity and reduced

turn-around times.

The Finance Function of the Bank reviews the annual financial statements and auditors report with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements related to financial statements.

The Finance function also fulfills the requirement of Data analysis, MIS and insights for decision making on a regular basis.

Treasury: This unit is involved in money market lending/borrowing (LAF repo/reverse repo, TREPS, Call, Fixed income -SLR (AFS, Trading and HTM) and LTRO (Long Term Repo Operations). The unit sold PSLC (Priority sector lending certificate) worth ₹ 2,650 Crore, generating PSLC income of ₹ 41 crore in FY21.

Treasury Front Office: The Treasury unit plays the role of a clearing house for matching, managing, and controlling market risks. It facilitates funding, liquidity and investment support for the assets and liabilities

generated by regular business of the Bank.

The team focusses mainly on liquidity, interest rates and Asset Liability Management. The Bank maintained optimum liquidity throughout the year and invested in securities so as to have a fairly liquid portfolio, against which the funding can be easily raised through Repo or secondary market transactions.



Facilities

The Facilities function of the Bank is shouldering important responsibilities such as managing assets, vendor partners, travel and general administration.

THE Facilities function provides vendor management, administrative support, Infra and Facilities management and also helps organize all staff meets, health check-ups, among other engagements.

FY21 in retrospect

Braving the pandemic induced challenges such as restriction on inter-state and local travel, non-availability of buses, trains and other means of transport, fear and uncertainty looming large, the facilities team supported operationalising

51 banking outlets during the year. It also supported relocation of 94 outlets to a new property.

Powerful steps in challenging times

The Facilities Team managed the pandemic situation commendably. Despite the scale of the health crisis and its impact on lives and livelihoods, the operations of the Facilities team continued unabated.

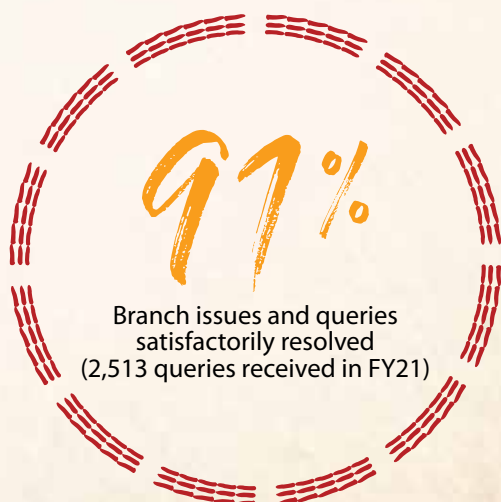
During the lockdown, the Facilities team secured the safety and convenience of staff at residential facilities, supported travel to their native places and back to base locations, implementation of Covid-19 protocols, modifications in infrastructure and facilities at office et al.

In addition, the team extended full support to all team members and their families in the fight against Covid-19.

The Facilities team worked hard to optimise operating costs, negotiated all vendor and lease arrangements, making a significant contribution to the cost optimisation drive at the Bank.

Further, the team undertook important initiatives for streamlining business operations:

- Completed Phase-1 invoice automation achieving 90% BOT-processing of recurring invoices.
- Moved all procurements, invoice processing and asset management to P2P application.
- Enhanced branch security with 24/7 surveillance, seismic sensors and cube cameras.
- Managed pan-India vaccination drive (1st dose) covering 2,135 staff as on March, 2021.
- Organised weekly fumigations at all administrative offices and banking outlets.
- Equipped all administrative offices with oxygen concentrators, thermometer, oximeters and sanitisers with dispensers and foot sanitiser mats.
- Institutionalised the practice of monitoring temperature, oximeter reading at all offices.
- Added 104 staff quarters as per social distancing assessment carried out across the Bank.
- Encouraged staff for Covid-19 vaccination.
- Extended support in hospitalisation for staff and family members as and when required.



Battling an invisible and powerful enemy

Secretarial & Corporate Legal

The over-arching responsibility of the Secretarial team is to ensure that the bank is being run in full compliance with all the applicable laws and regulations and protect interest of all its stakeholders through strong governance standards.

SOUND corporate governance is essential to the Bank’s reputation. At the Bank, the secretarial team supports the board in performing timely governance reviews and also assists the Board with information on the practices followed in the sector and helps tailor the Bank’s governance principles / practices to fit the needs and expectations of all stakeholders. A parallel but no less important responsibility is to ensure that all meetings of the shareholders, Board of Directors and various committees are run in accordance with the law and their charters.

In an endeavour for continuous improvement, the Bank introduced DESS Digital Meetings, a document management and collaboration solution, to enhance automation in Governance. The solution provides hassle free meetings with high levels of encryption and secure access. Inter alia, it provides features such as paperless meetings with complete pre, during and post meeting features, multiple levels of controls for current and upcoming agenda as well as past meeting archives, effortless communication through email, text and notification alerts, voting and approvals of directives, resolutions, motions and minutes.

During the year, Secretarial function ensured compliance to all statutory and regulatory requirements by filing

necessary documents/ forms/reports with various authorities/ internal and external stakeholders on time.

The Corporate Legal function plays an important role in understanding the pressure points, strategy and objectives of the Bank and effectively communicating the risks and legal issues involved in any decision to the management, thereby enabling the Management to make informed decisions with acceptable legal risk.



Risk management

Risk Management is an inherent part of the core working of the Bank. The Bank has a comprehensive risk management framework to ensure that all risks are identified, understood, measured, controlled and pro-actively managed at all levels such that the financial strength and resilience of the Bank is safeguarded.

RISK management enables the business units to achieve their strategic objectives and deliver sustainable long-term growth with a commitment to responsible business practices. The Risk Management Committee of the Board (RMCB) monitors the Bank's risk management policies, procedures, strategies, appetite, processes and controls. It also reviews various limits and reviews portfolio composition.

CREDIT RISK

Credit Risk Management at a holistic level encapsulates the Bank's approach to approving and managing credit and aims at making the systems and controls effective.

The Board of Directors is responsible for overall Risk management within the Bank, including credit risk. The Risk Management Committee of the Board (RMCB) oversees the functioning of the Credit Risk Management unit which drives identification, measurement, monitoring and reporting of Credit Risk within the Bank.

Credit Risk Management unit is independent of Business and Credit functions and is responsible for protecting the quality of the loan portfolio. The Board approved Credit Risk Policy of the Bank provides a framework for managing credit risk so as to promote quality assets, profitable relationships and prudent

growth by leveraging the client base.

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

The Credit Risk Management Unit estimates and recommends overall credit risk appetite of the Bank, which is reviewed and approved by the Board. The unit defines the risk assessment systems, monitors quality of loan portfolio, develops MIS and undertakes loan review.

The unit through Credit Risk Management Committee (CRMC) provides information to top management on the composition of the credit portfolio, including identification of any concentration of risk. The unit also enforces and

monitors compliance of the risk parameters and prudential limits set by the Risk Management Committee of the Board. The Board approved delegation of power matrix exist for various products and it covers various exceptions and deviation approvals. The credit sanctions are subject to review by the next higher authority to ensure proper 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.

Credit risk for retail loans: Microloan is templated low-ticket size product with standard underwriting norms and catering to the base of the pyramid customers. Other product lines such as Mortgage, Loan against Gold, Affordable housing loans and Two-wheeler loans, 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: 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 an independent credit committee.

SUPPORT FUNCTIONS

Risk management

MARKET RISK

Market risk refers to the risk of losses in 'on and off-balance sheet' positions arising from the movements in market price as well as volatility and which may impact the Bank's earnings and capital. The Bank's investments in government securities and mutual funds are subject to Market Risk.

Such risks faced by the Bank are monitored by the Market Risk Unit.

The unit monitors the Bank's investment and trading portfolio in terms of risk limits stipulated in the Policy, Board approved appetite and, reports deviations, if any, to the appropriate authority.

The Bank utilises both statistical and non-statistical measures for market risk assessment of its trading and investment portfolios. The tools, models and underlying risk factors are reviewed periodically to enhance their effectiveness. The unit also supports the Asset-Liability Management ('ALM') of the Bank. The

purpose of the Asset Liability Management Committee ('ALCO') is to act as a decision making unit responsible for integrated balance sheet risk management from a risk-return perspective, including strategic management of interest rate and liquidity risks.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

The Bank has put in place Board approved governance and organisational structure to manage Operational Risks. A committee namely 'Operational Risk Management Committee'

comprising senior management personnel, is responsible for overseeing implementation of Board approved policy and framework.

The Committee oversees implementation of sound operational risk management framework. The Bank has a robust process of reporting operational losses and issues relating to

operational risk, wherein the relevant areas are quickly reviewed and gaps suitably addressed.

Various operational risk exposures are monitored regularly and reviewed periodically by the Bank to ensure effective implementation. Control and mitigation guidelines are part of various product, process operation manual and documents of the Bank. The Bank also covers risk on

account of natural disaster through appropriate insurance.

The Bank has robust information technology with disaster recovery capability for critical components, apart from an integrated Business Continuity Planning (BCP) framework. A committee oversees strategy and implementation of disaster and business continuity framework of the Bank.

INFORMATION SECURITY RISK

Given our core strategy of being digital, Information Security risk is identified as a material risk for the Bank. The information security Risk Unit is responsible for this aspect and works continually towards adoption of newer and better security practices on Cyber security and information risk, effective data privacy, protection of customer information. The unit periodically reviews new and existing applications, analyses gaps to ensure a proper and

holistic implementation of recommendations of the Gopalakrishna Committee. During the year the Bank implemented various tools and solutions to enhance the end point security. This includes, honeypot Deception solution, data loss prevention, setting up Security Operation Centre (SOC), patch management tool for corporate environment and data center. The Bank also implemented trend micro deep solution in all the critical servers and Web Application Firewall (WAF) for all the applications hosted in Pi data center.

In order to facilitate secured access to enable work-from-home option during the pandemic, the Bank implemented Accops VPN with 2FA for remote access.

The Bank conducted extensive Information Security exercises, including End-point Data Leakage Prevention (DLP), Red Team exercise, Phishing exercise, Hardening Scan/ Configuration Audits of Servers and N/W devices, SOC and Security Review. The Bank also conducted VA/PT and secure code review for all applications used or developed by the Bank.

The Bank accords high degree of importance to vendor governance and infrastructure, and put in place initiatives such as Radius server for NE Secure firewalls (Branches), GT-M DB integrated with SIEM. The Bank has taken suitable insurance cover for cyber losses and incidents. During the year, the Bank got ISO 270001 certified and also bagged the Award for the Best IT Risk and Cyber security Initiative from IBA.



Compliance

An integral part of the Corporate Governance structure, the Bank has a robust Compliance function with sufficient independence to promote healthy compliance culture within the Bank.



An independent and comprehensive compliance structure addresses the key requirement of adherence to various regulatory prescriptions. It also ensures strict observance of all statutory provisions, guidelines from the RBI and other regulators, standards and codes, Bank's internal policies and fair practices code.

Compliance is an integral part of doing business in the right way, and wherever necessary, proactive consultation with Compliance Function has been embedded in functioning of the Bank. The Board of Directors, Audit

Committee of the Board and the Top Management ensure effectiveness of the Bank's compliance framework. The Bank has a robust Compliance Policy, charting out the compliance philosophy of the Bank and the roles and responsibilities of the Compliance function. Compliance function in the Bank is one of the key elements in the Bank's Corporate Governance structure along with Internal Audit and Risk Management. The Bank follows the ethos that Compliance starts from the top, in letter and in spirit. The strong compliance culture is ensured through detailed policies

and guidelines, strong procedures, mechanism of regular reviews, monitoring / testing, conduct of compliance awareness programs and a zero-tolerance towards non-compliance.

The Compliance Function is responsible for all aspects of regulatory compliance across the Bank. The team focuses on areas like KYC / AML, review and monitoring and provides guidance on regulatory issues to other functions. The framework sets out the compliance risk management processes and tools to be used by businesses, management, and Compliance Officers for managing its compliance risks.

The Compliance function includes interpretation/ dissemination of regulatory and statutory guidelines and ensures that controls and procedures capture the appropriate information to the Senior Management. The Compliance function plays a vital role in ensuring that the overall business of the Bank is conducted within the ambit of rules, regulations, laws and internal guidelines. The function assists the Board and Top Management in efficiently managing the compliance risk. The Compliance function

works as a nodal link between the Bank and the regulatory authorities, i.e., RBI, SEBI, DFS, UIDAI, IBA, IRDA, PFRDA, FIU-IND etc., and provides guidance to all verticals in the Bank. The senior executives of the function are members of various internal / management level committees, which enable them to monitor the compliance risk of the institution effectively.

The Bank uses knowledge management tools for monitoring changes in existing regulations as well as understanding of new regulations. The Bank has put in place Compliance tracking and Monitoring system (CERMO+) to ensure that the regulatory instructions are implemented within the Bank effectively.

Internal Audit

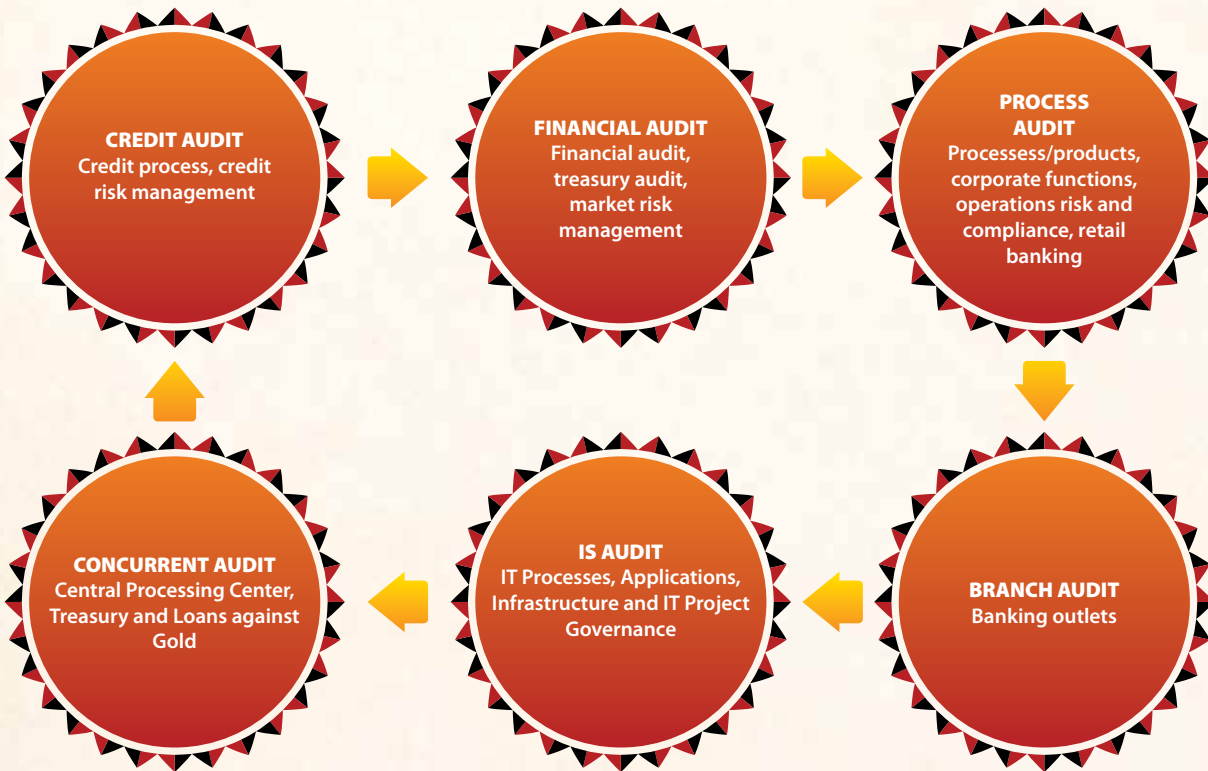
Internal audit is an independent appraisal function created with the objective of examining and evaluating the adequacy and effectiveness of the Bank’s internal controls.

GOOD internal audit processes help the management in the effective discharge of its responsibilities. It also provides them assurance of the risk and operational performance of the Bank.

In accordance with RBI guidelines, Risk-based audit implies that a lot of emphasis is placed on the role of internal auditor in mitigating risks. While focusing on effective risk management and controls, in addition to appropriate

transaction testing, the risk based internal audit not only offers suggestions for mitigating current risks but also anticipates areas of potential risks and plays a pivotal role in protecting the Bank from various risks.

The functions of Internal Audit Division have been divided considering maximum alignment with the current structure of the Bank. The function focuses on the following audits:



Performance Highlights

In FY21, the audit team covered all banking outlets disbursing micro loans and all full service (Samruddhi) outlets. During the pandemic, virtual audits were conducted.

To expand the reach and effectiveness of the audit function, the Bank developed the Audit Management System (AMS) verifying controls other than cash, gold and security

items, through artefacts uploaded by branches. The system went live in Q2 FY22. The audit team also covered Finance Operations, Compliance, Anti Money Laundering, Fixed Deposit process, Clearing operations, Payment channels, CASA Account Opening, Account Servicing, Facilities, Treasury Back Office, Treasury Front Office, Treasury Mid-Office, Third

Party Products, Vendor Management and all asset products such as Microloans Credit process, Loan against Gold, Institutional Finance, Mortgages, Two Wheeler and Affordable Housing. During the year, IS (Information System) audits were also performed which included application audits of Quantum Application, mCARE, mSERVE, D’Lite, ATM

Suite Application, FRMS and Profile. In addition, audits of Configuration Management, Network & Firewall, Network Security Devices, Databases, Port Management, Information Security, VideoKYC and Back up & Restoration were also performed.

Making a difference

The Bank believes in holistic growth of business. It rides on the dual goals of commercial success combined with social impact.

THE Bank has a dedicated team which carries out developmental activities that make a difference to the local community. Its work is centred around 3 key themes viz. health and hygiene, literacy and livelihood, community and environment, which are managed through direct and indirect investment of time, effort and funds.



Theme	Camps	Beneficiaries
Health & Hygiene	533	31,291
Literacy & Livelihood	1,287	38,655
Community & Environment	866	32,204



Glimpses of Social Initiatives

MISSION HEALTH

The old age 'health is wealth' was once again proven correct in FY21, the year of the pandemic.

The Bank conducted numerous health camps for the benefit of its community. Among other efforts, the Bank partnered with SEVAMOB, a Non-Governmental Organisation, for conducting diagnostic health check-up camps in rural areas. Dedicated teams of qualified general practitioners, nurses, pharmacists and social coordinators were engaged to conduct these

camps. During FY21, 287 such health camps were organised.

As a preventive measure, during the first wave of Covid-19 pandemic, the Bank distributed 1,035 steamer/vaporiser, 12,460 mask/sanitiser/gloves 1,000+ frontline Covid-warriors. The Bank along with Shankar Netralaya, Bangalore, organised an eye camp where cataract surgery was conducted free of cost for 45 patients.

LITERACY & LIVELIHOOD

The Bank proactively engaged in activities for spreading literacy and improving livelihoods.

OUR OUTREACH EFFORT

Making a difference

The programmes covered a cross section of the community, including both adults and children.

Financial Literacy Programme: The initiative covered three aspects - government savings/ pension/ insurance-related schemes, digital transaction and importance of timely repayment. In FY21, the Bank organised 373 Financial Literacy Camps covering 6,411 beneficiaries. Around, 90% of the participants were women.

Covid 19 Awareness Program: When the pandemic abruptly erupted in April 2020, uncertainty

loomed large since communication remained largely urban-centric while in rural areas people remained largely, unaware, owing to paucity of proper communication of Covid-appropriate behaviour. To alleviate this uncertainty, the Bank organised camps in villages to create awareness about Covid precautionary measures. During FY21, 819 such camps were organised.

Skilling Workshop on Beauty Care: In collaboration with ILRT (Institute of Livelihood Research and Training), the Bank organised skilling workshop in Kolhapur

district of Maharashtra, where 185 women underwent a 5-day course on Beauty Care.

COMMUNITY AND ENVIRONMENT

Grocery Distribution: Due to the lockdown-induced disruptions, many people lost their livelihood and had to undergo a daily struggle for survival. To serve this section of the society, the Bank distributed Ration kits to families. In FY21, the Bank provided food relief to more than 32,000 families.



ESG: Sustainability Initiative

The Bank is on a mission “to facilitate financial inclusion of the unbanked and underbanked households in India with active participation of the more affluent customer segments”.



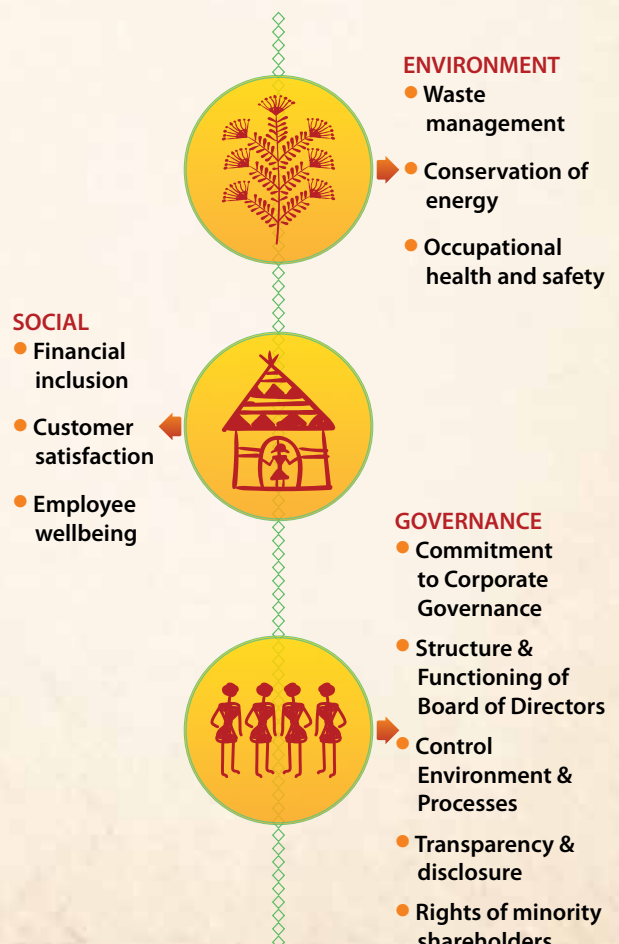
BEING a rural-native player, the Bank has, over the past 14 years, played a vital role in supporting micro entrepreneurs across India, enabling business set-up and expansion, creating jobs, and transforming the lives of millions.

The Bank is conscious of its responsibilities towards customers, staff as well as all other stakeholders and acknowledges that Environment, Social, and ethical Governance (ESG) is a prime driver for the creation of long-term value for all stakeholders.

Therefore, the Bank is conscious of the ESG impact arising out of its own operations whilst offering products and services in a responsible manner.

To this extent, the Bank developed and introduced an ESG Policy in July-2020 articulating its commitment towards Environment, Social and ethical Governance practices along with a framework for its implementation. With more administrative experience, the Bank shall continue to enhance its understanding of ESG and remains committed to better outcomes in the years to come.

ESG FOCUS AREAS



ESG in action

A Environment

AT Fincare Small Finance Bank, we are conscious of our Carbon Footprint. We are committed to drive efforts to reduce the direct and indirect impact of our operations on the environment. As a result, we have incorporated adequate measures into our operations, products and services that shall lead to lower carbon footprint. We implemented Waste Management Policy and Energy Efficient Procurement Guidelines in 2020. We are continuously enhancing our digital offerings to minimize paper and plastic usage and monitoring our energy consumption patterns.

12
Responsible
consumption



SDG Impact

SDG 12 impacted through reduction in waste generation by prevention, reduction, recycling, reuse & focus on efficient use of energy

1. Waste Management

The Bank applies the universal principles of waste management i.e., Reduce, Reuse and Recover, to ensure that waste is dealt with in a way that has the least impact on the environment. The Bank

disposes e-waste, hazardous waste (diesel/ fuel oil residue in generators), battery waste and paper waste, it also disposes e-waste, hazardous waste, and battery waste in a safe manner only through authorized dealers. In FY-21,

the Bank disposed 0.4 ton of e-waste and 3.9 ton of hazardous waste through authorized dealers.

2. Energy Conservation

During FY-21, the Bank started recording and monitoring the energy and fuel consumption on

a monthly basis. Once the pandemic subsides and some normalcy is restored, the Bank aims to set targets for reduction in energy consumption.

The Bank currently deploys following methods for efficient use of energy:



VRF (Variable Refrigerant Flow) and Inverter ACs

The Bank has installed Inverter ACs in Full-Service Banking Outlets for better performance and energy efficiency. We do not use any type of ACs in other branches. We use VRF (Variable Refrigerant Flow) ACs in our Administrative Offices. Generally, the power consumption of Inverter ACs is lower by 40-50% and in case of VRF ACs, it is lower by 20-30%.



LEDfication

We use LED lights instead CFL in Full-service and Basic banking outlets as well as our Administrative offices. Generally, LED lights reduce power consumption by 40-50%. By the virtue of using VRF ACs, Inverter ACs and LEDfication, we saved around 1290 MWh, ~900 ton of CO₂ emissions. This roughly translates into saving of around 3000 to 4000 trees.



Virtual Servers

The Bank uses virtual servers through a subscription-based model instead of physical ones. Virtual servers reduced environment impact due to shared workloads. As on date, 100% of servers engaged by the Bank are virtual.



Paper usage

The Bank continues to reduce paper usage in its core business operations through various ways. The Bank reduced number of loan documentation pages for Joint Liability Group, Loan against Property and Affordable Housing Loan from 90 to 36, 24 to 16 and 22 to 14 sheets respectively. Saving accounts of more than 99% customers got opened digitally, doing away with the need of a physical application. The Bank launched Green PIN facility on Internet Banking and Mobile Banking, doing away the need of sending physical PIN to customers. The bank saved around 77 tons of papers (~1000 trees) dues to these measures.



Virtual Debit Card

In order to minimize plastic usage, the Bank took the initiative of offering a virtual debit card to customers rather than a physical debit card. The bank issued around 74.5k virtual debit cards during FY21 which resulted into saving of 310 kg of plastic.

PLEASE NOTE THAT THE ENERGY SAVINGS, PAPER SAVINGS, PLASTIC SAVINGS, CO₂ EMISSION AND TREES HAVE BEEN DERIVED FROM DESK-RESEARCH.

3. Occupational health and Safety

The Bank is committed to providing its workforce a safe and healthy place to work and work practices that do not compromise the health or safety of others, including contractors, vendors or visitors. In FY-21, the Bank formulated and implemented an Emergency Response Plan. Apart from this, the Bank took a lot of steps to ensure employee-safety amidst the COVID-19 pandemic. Some of the measures adopted include:



- Provided Work from Home/Remote/Anywhere facility.
- Tied up with DocOnline to offer physical and emotional well-being services.
- Announced that the Bank shall bear the cost of vaccination of all staff, and also deployed a task force to identify available vaccination slots and assisting employees to get vaccination on priority.
- Closely monitored infected employees (and their family members) and provided them the maximum support with Hospitalization, Medicines.
- Provided 14-days paid leave to infected staff.
- Provided wellness allowance to both, suspect and infected staff-additional post-Covid allowance to positive staff.
- Provided Steam inhalation devices, Vitamin C and Zincovit tablets to staff at the bank-provided residential facilities.

B Social

THE Bank is supported by a diverse, multi-state workforce across India, serving a fairly large customer base and, growing fast. We are actively participating in social transformation and financial inclusion through our core business of micro-banking. We are continuously developing tools to improve communication and service experience of our customers and colleagues. Through our digital offering, we are able to reduce customer grievances and build a best in class customer experience. Through our dedicated steps taken in the areas of employee engagement and wellbeing, the bank was **Great Place to Work** certified in March, 2021.



3
Good health



5
Gender equality



8
Good jobs and economic growth



10
Reduced inequalities

SDG Impact

- **SDG 3** through Good Health and Well-being initiatives for employees.
- **SDG 5 & 10** through HR policy on prevention of gender bias.
- **SDG 8** through Financial Inclusion, Financial Literacy programs.



1. Financial Inclusion

We have a deep rural franchise and experience of over 14 years in microfinance activities. As of 31st March, 2021, we covered 41,088 villages, with 20 Lakh+ base-of-pyramid households and 20 Lakh+ rural savings accounts. As of 31st March, 2021, 93% of our customers were in rural areas. 40% of our borrowers availed their

first loan with us, and we are the sole lender for 25% of our microloan borrowers. We encourage our Microloan borrowers to open savings accounts (Shakti) with easy accessibility to funds using a debit card. We also impart financial literacy to customers at the time of loan disbursal.



Health & Hygiene



Literacy & Livelihood



Community & Environment



2. Customer satisfaction

Our approach entails the use of technology at every possible step of the loan or deposit process, spanning underwriting, analytics-based decision-making, real-time integration with credit bureaus, GPS tagging, mobile-based fraud risk management among other processes, all in order to provide a best-in-class customer experience.

	<p>Customers onboarding New customers onboarded digitally using employee assisted applications - Nano Banking, mCARE, Lap Dlite and Fincare Connect. A potential customer can open a Fincare 101 Digital Saving account online, all by self. For FY2021, over 98% of our new customers (borrowers and depositors) got onboarded using these channels.</p>
	<p>Loan disbursements Loan disbursements in Microloans, LAP and AHL are completely paperless and offer a hassle-free experience to the customers.</p>
	<p>Customer service channels Customers can use Internet Banking, Mobile Banking, WhatsApp Banking and Website Chatbot for reaching out to us for their banking requirements. We have a multi-lingual in-house customer service center for resolving customer grievances. The call center uses IVR and other modern tools and is equipped to handle all forms of queries, grievances etc.</p>



The Bank formulated and implemented Credit Exclusion List whereby the Bank shall not provide loan for activities falling in the list. The reason of excluding such activities ranges from economic to health, safety and cultural concerns.

3. Employee satisfaction

The Bank recognizes that its employees are the key driving force for growth and success. The Human Resources (HR) policies are developed on principles of equal opportunity, fairness, and ethics in line with the applicable national regulatory requirements and international best practices.

Managing and Engaging Employees

The Bank has implemented, among others, Compensation & Benefits Policy, Employee Welfare Guidelines, Leave Guidelines, Recruitment & Selection Guidelines, Transfer and Relocation Guideline, Separation

Guidelines, Rewards & Recognition Policy, Employee Loan Policy and Employee Welfare Guidelines for ensuring employee relations and benefits. For building employee engagement, learning and connect, the Bank uses the Microsoft Kaizala Application and internal forums such as iEngage and iExcel.

Equal opportunity and Diversity

The Bank has implemented Equal Opportunity and Diversity Guidelines in order to ensure a fair and positive workplace environment and culture for all employees. The Bank also ensures that job applicants and staff do not receive less favourable

treatment at work on the grounds of gender, region, religion among other parameters.

Learning & Development

The Bank has a dedicated Training team of 25+ members for building employee capability. In FY-21, the Training team imparted more than 70,000 training hours through a combination of induction and ongoing training sessions. The learning and development tree for all categories of staff includes functional, soft skills and technology training delivered through a combination of classroom and e-learning courses. In Q2 FY22, the Bank launched

a Learning Management System, named as iExcel, to manage training initiatives digitally.

Grievance Mechanism

The "Employee Grievance Policy" clearly lays down the Grievance procedures for employees. Additionally, the bank has developed and implemented a POSH Policy for Prevention, Prohibition, and Redressal of Sexual Harassment at the Workplace. There is an active Internal Complaints Committee to handle such grievances, if any.

C Governance

THE Bank, we are committed to implement a robust and effective corporate governance framework, adhering to applicable national regulatory requirements, and in line with leading global guidance on good corporate governance, establishing robust internal controls, compliance with policies and practices and ensuring transparency and objectivity in dealing with our stakeholders.

16
Peace, Justice
and strong
institutions



SDG Impact

SDG 16 through implementation of strong governance practices, exercising transparency in the conduct of operations.

The Bank has a robust policy framework for functioning of the Board of Directors and Senior Management. These policies are implemented not merely because of the requirement from the regulator, but because of the Bank's commitment and

embodiment of these in its work culture and day to day functioning.

The Bank's corporate governance report (published as part of the annual report) provides detailed disclosure of the following facets of Corporate Governance:

- Board structure & functioning.
- Board meetings.
- Board of Directors.
- Board committees.
- Commitment to corporate governance

principles (via robust governance-related policies which are publicly disclosed).

- Risk management.
- Transparency and disclosure.
- Shareholder information.





Statutory Reports



Directors' report

To
The Members,
FINCARE SMALL FINANCE BANK LIMITED ("THE BANK")

Your Directors take pleasure in presenting the 26th Annual Report on the business and operations of the Bank together with the Audited Financial Statements for FY- 21.

In the last four years, the Management has strived and achieved reasonable success in establishing the Bank as a new generation Bank with focus on financial inclusion of unbanked and underbanked sections of society, as well as a high-tech and high-touch bank offering modern, innovative banking services to more affluent customers and , along the journey, has won several awards and accolades.

As of 31st March, 2021, the Bank had a total of 550 banking outlets of which 49 are located in Rural, 322 in Semi-Urban, 124 in Urban and 55 in Metro locations, thereby covering 12 States & 3 Union Territories (UTs) namely Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh & 3 UTs namely, Chandigarh , Delhi and Puducherry .

1. FINANCIAL HIGHLIGHTS FY-21

The financial performance for FY-21 as compared to previous year is summarized in the following table.

(₹ Lakhs)

Particulars	FY21	FY20
Interest Income	1,25,103	1,07,026
Other Income	12,738	14,546
Interest expended	55,009	45,150
Operating expenses	46,324	42,613
Provision and contingencies	25,194	19,464
Profit before Tax	14,642	20,273
Profit after Tax	11,314	14,345
Surplus brought forward	9,707	-618
Amount available for appropriation	21,021	13,727
Appropriation/transfers:		
Transfer to Statutory Reserve	2,829	3,587
Transfer to Other Reserves	84	433
Surplus carried to Balance Sheet	18,108	9,707
EPS (₹)	17.79	24.43

As a new-age Bank, it is striving hard to set new standards in customer experience with extensive use of technology and commitment to customer delight. With the objective of serving the financial needs of multiple customer segments, the Bank augmented its existing suite of products viz. Savings Accounts, Term Deposits, Loan Against Gold, Loan Against Property, Micro Loans and Institutional Finance, The products which got added during the year include 101 Priority ,Pro-Priority , Imperial Savings, Priority Plus Fixed Deposit, TAX Saver Fixed Deposit, Affordable Housing Loan. It also added AADHAAR service desk at select banking outlets.

Details of operations are given in the 'Management Discussion and Analysis' which forms part of this Annual Report.

Some of the key developments in the FY-21 are highlighted in this report.

2. DIVIDEND

In order to strengthen the Bank's financial position as well as to support ongoing expansion, your Directors do not recommend any dividend for the year under review.

3. AMOUNTS TRANSFERRED TO RESERVES

During the year under review, the Bank has transferred a sum of ₹ 2,828.64 Lakhs to Statutory Reserves and ₹ 83.94 Lakhs to other reserves.

4. CHANGE IN NATURE OF BUSINESS

There has been no change in the nature of business of the Bank during the year under review.

5. CREDIT RATING

During the period under review and till the date of Board's report, the Bank has been assigned CARE A (Stable) and ICRA A (Stable) from CARE RATINGS and ICRA, respectively for its Fund based facilities. The Bank has also been assigned IND A (Stable) credit rating by India Ratings & Research for its Unsecured Sub-ordinated Debt/ Non-Convertible Debentures and CARE A Stable Rating from CARE RATINGS for its Unsecured Sub-ordinated Debt/ Non-Convertible Debentures. Further the Bank has been assigned MA+ (Stable) credit rating for its Fixed Deposits by ICRA and it has been assigned Crisil A1+ rating for Certificate of Deposits by CRISIL.

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

During the year under review, the Bank did not have any outstanding amount that was otherwise required to be transferred to the Investor Education and Protection Fund in pursuance of provisions of section 125 of the Companies Act, 2013.

7. THE STATE OF BANK'S AFFAIRS

The Bank continues to be categorized as a 'Small Finance Bank' under the RBI Regulations and during the year it continued to carry on business as 'Small Finance Bank'. The Bank is in compliance with all the licensing and operating guidelines of RBI as amended from time to time. As an evolving 'Small Finance Bank', the management has been investing in digital banking solutions. The Bank's digital products and services aim to enhance customer convenience and expand its reach. The Bank has onboarded 2.3 Lakhs Fincare 101-Digital Savings account customers in FY-21, registering 142% YoY growth. In June 2020 the Bank also enhanced its digital deposit account opening process for '101' by adding a Video KYC (VKYC) option in the account opening flow. This enables opening a completely digital Full KYC account by the customer. As a result,

a total of 12,505 customers successfully opened the account via VKYC process in FY-21. Further, instant funding option was enabled for Fincare101 accounts via Razorpay, one of the largest payment gateways in India. The project started to gain traction with an average of 50 accounts being funded every day and a total volume of ₹ 90.18 Lakhs in FY-21. In addition, the Bank introduced insurance on the Fincare 101 application.

Key highlights of the Bank's operations during FY-21 in comparison to FY-20 are as follows:

Particulars	FY21	FY20
Gross disbursements (₹ in Crores)	4,656.457	4,949.711
Gross loans (₹ in Crores)	6,108.067	5,344.99
No. of Banking outlets (including BC)	809	711
No. of Re-cyclers /ATMs	85 Re-cyclers and 23 ATMs	85 Re-cyclers and 23 ATMs
No. of Branches	550	509
No. of Loan Accounts	22,28,561	22,17,566
No. of Staff	8850	7363

8. CAPITAL STRUCTURE OF THE BANK

During the financial year ended March 31, 2021, the Authorized Share Capital of the Bank was increased from ₹ 100,00,00,000 (Rupees One Hundred Crores) divided into 10,00,00,000 (Ten Crores) Equity Shares of ₹ 10 (Rupees Ten) each to ₹ 300,00,00,000 (Rupees Three Hundred Crores) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 10 (Rupees Ten) each vide shareholders' resolution dated 25th March, 2021.

The issued, subscribed and paid up capital of the Bank as on 31st March, 2021 stood at ₹ 63,61,04,810 (Rupees Sixty-Three Crores Sixty-One Lakhs Four Thousand Eight Hundred and Ten) divided into 6,36,10,481 (Six Crores Thirty-Six Lakhs Ten Thousand Four Hundred and Eighty One) Equity Shares of ₹ 10 (Rupees Ten) each.

During FY-21, the Bank has not issued any shares with differential rights, sweat equity shares and Bonus shares. The Bank has not bought back any of its securities.

Details of change in financial position of the Company after completion of financial year

In order to meet its capital requirements, the Bank, through a rights issue, allotted 99,82,759 fully paid-up equity shares of the face value of ₹ 10 (Rupees Ten only) each at a premium of ₹ 160 (Rupees One Hundred Sixty) on 27th April, 2021.

Further, the Bank capitalized an amount of ₹ 1,47,18,64,800 /- (Rupees One Hundred Forty Seven Crores Eighteen Lakhs Sixty Four Thousand Eight Hundred Only) out of the Reserves & Surplus and Retained Earnings of the Bank, for the purpose of issuance of bonus shares to the shareholders of the Bank, in proportion of 2:1 i.e. 2 (Two) equity shares of face value ₹ 10/- (Rupees Ten) each for every 1 (One) equity share of face value ₹ 10/- (Rupees Ten) each.

Further, pursuant to approval from the Reserve Bank of India vide letter dated 10th February, 2021, the Bank made a grant of 48,188 employee stock options pertaining to FY-18 and 75,296 options pertaining to FY-19 to Mr. Rajeev Yadav, Managing Director & Chief Executive Officer. Pursuant to a bonus issue of the Bank in May 2021, an adjustment was made to the grants and the exercise price, such that the underlying benefit was unchanged. The modified quantities are 1,44,564 and 2,25,888 employee stock options for FY-18 and FY-19 respectively.

9. ANNUAL RETURN

Pursuant to the provisions of Section 92-(3) read with Rule 12-(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return for financial year ended on 31st March, 2021 is also available on Bank's website www.fincarebank.com. In addition, the extract of Annual Return in form MGT 9 is attached to this report as **Annexure I**.

10. NUMBER OF MEETINGS OF THE BOARD DURING THE FY-21

The Board of Directors of the Bank met 13 times in FY-21. 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 during the year are mentioned hereunder:-

Quarter 1 (April – June)	Quarter 2 (July – September)	Quarter 3 (October-December)	Quarter 4 (January-March)
11 th May, 2020	7 th July, 2020	22 nd October, 2020	22 nd January, 2021
1 st June, 2020	29 th July, 2020	11 th November, 2020	3 rd February, 2021
8 th June, 2020	19 th August, 2020	7 th December, 2020	3 rd March, 2021
-	-	-	23 rd March, 2021

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

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

Being a Bank, disclosure of information pertaining to loans

extended, guarantees given, securities provided, acquisition of securities etc. are not required to be made.

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

12. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

Pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules 2014 the contracts, arrangements or transactions entered into during the financial year ended 31st March, 2021 have been reported in Form AOC-2 and attached herewith as **Annexure VI**. The requisite disclosures as per Accounting Standard-18 have been made under Schedule 18 of the notes forming part of the audited financial statements for the year ended 31st March, 2021.

13. LISTING OF SHARES OF THE BANK

In accordance with the terms and conditions of the grant of Small Finance Bank (SFB) license, the Bank is required to list its shares within three years from the date the net worth of SFB reaches Rs. 500 Crores (Rupees Five Hundred Crores). In order to ensure compliance with the aforesaid licensing conditions, the Board of the Bank, at its meeting held on 22nd January, 2021, passed a resolution to authorize Bank to undertake an initial public offer of its equity shares of face value of ₹ 10 (Rupees Ten) each, by way of issue of fresh equity shares and/or offer for sale of equity shares by existing shareholders of the Bank.

Accordingly, the Bank filed Draft Red Herring Prospectus (DRHP) with Securities Exchange Board of India on 9th May, 2021, followed by Addendum to DRHP on 20th August, 2021. The DRHP proposed primary issue aggregating upto ₹ 330 Crores (Rupees Three Hundred and Thirty Crores only) and Offer for Sale by Fincare Business Services Limited (FBSL), the promoter selling shareholder, aggregating upto ₹ 1,000 (One Thousand Crores only). Necessary regulatory approvals have been obtained for the proposed Initial Public Offer (IPO). The Management and the Board of Directors remain committed to ensuring completion of the IPO.

14. APPOINTMENT OF AUDITORS

A. Statutory Auditors:

The present term of one year of Walker Chandiook & Co LLP (Firm Registration No. 001076N), Chartered Accountants, the Auditor of the Bank is completed and pursuant to the guidelines dated 27th April, 2021 issued by the Reserve Bank of India ('RBI Guidelines') for Appointment of Statutory Auditors (SAs) of Commercial Banks, it reached the maximum limit for the number of audits to be undertaken and therefore shall not continue as the Statutory Auditors of the Bank for the financial year 2021-22.

The Audit Committee and the Board recommended the appointment of M/s S R Batliboi & Associates, LLP (FRN 101049W)

as Statutory Auditors of the Bank for a period of three years from FY-22 to FY-24 subject to the approval of the RBI. The RBI, on 22nd December, 2020, approved the appointment of M/s S R Batliboi & Associates, LLP (FRN 101049W) as the Statutory Auditors of the Bank for FY-22. The resolution for appointment of M/s S R Batliboi & Associates, LLP (FRN 101049W) as the Statutory Auditors of the Bank for a period of three years from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting of the Bank for FY-24 subject to approval of RBI on annual basis, and the statutory auditor meeting the eligibility criteria under Companies Act, 2013, shall be put up for members' approval at the ensuing Annual General Meeting.

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 Bank appointed Mr. Tushar Shridharani, Practising Company Secretary as the Secretarial Auditor of the Bank, to conduct Secretarial Audit for FY-21. The Secretarial Audit Report is appended as **Annexure III** to the Board's Report.

Further, the Board, at its meeting held on 17th August, 2021, approved the appointment of M/s Parikh Dave & Associates as Secretarial Auditor for FY-22, upon recommendation of the Audit Committee.

C. Internal Auditor:

Mr. Subash V., holding a Master's in Business Administration, Certified Associate of Indian Institute of Bankers, and a Bachelor's degree Science- Mathematics, Physics and Chemistry, was appointed as the Internal Auditor of the Bank w. e. f. 7th July, 2020 and performed the Internal Audit of the Bank for FY-21. Pursuant to the recommendation of the Audit Committee, the Board, at its meeting held on 14th July, 2021, approved his re-appointment as Internal Auditor of the Bank with effect from 1st April, 2021 for a period of 3 years or retirement age, whichever is earlier.

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

There is no qualification, reservation, disclaimer or adverse remark made either by the Statutory Auditor or by the Secretarial Auditor in their reports, which otherwise would have required the Board to provide explanation in their report.

16. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE BANK 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 i.e. 31st March 2021 and the date of Boards'

Report i.e. 13th October, 2021.

17. 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: The Bank is committed towards saving energy and performing business operations in a sustainable manner. The details pertaining to the same are provided on **Page No. 67 of Annual Report.**

(B) The Foreign Exchange earnings and outgo:

Particulars	₹ (FY21)	₹ (FY20)
Foreign Exchange Inflow	-	-
Foreign Exchange outflow	53,39,741	12,72,991

18. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

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

19. RISK MANAGEMENT POLICY

The Bank 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, Reputational Risk and various other risks. The Board is supported by the Risk Management Committee, 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. At present there are no risks identified which threaten the existence of the Bank.

20. DEPOSITS

The Company being a Bank, requirements on disclosures of information in pursuance of 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.

21. DIRECTORS

The Bank's Board consists of professionals with required knowledge and experience in the banking sector. The responsibilities of the Board include, inter alia, formulating policies, taking new initiatives, reviewing performance, monitoring plans, and ensuring that the Bank operates within the framework laid down by the regulator.

A) Change in Directors

During the financial year under review, following changes took place in the composition of the Board of Directors:

- Ms. Susan Thomas, Independent Director of the Bank resigned

from the position w.e.f. 7th December, 2020 due to personal reasons.

- Ms. Anisha Motwani was appointed as an Additional Director (Independent) w.e.f. 7th December, 2020 and her appointment was regularized at the Extraordinary General Meeting held on 31st March, 2021.
- Mr. Sameer Yogesh Nanavati, Nominee Director of the Bank retired by rotation in Annual General Meeting held on 31st July, 2020 and was re-appointed on the same date.
- Mr. Rajeev Yadav, Managing Director and CEO of the Bank whose tenure of appointment as Managing Director and CEO expired on 16th July, 2020, was reappointed as such by the Board of Directors vide their resolution dated 22nd January, 2020. His re-appointment as MD and CEO was approved by the RBI pursuant to letter dated 6th July, 2020, for a period of 3 years effective from 17th July, 2020. The re-appointment was approved by the shareholders' vide resolution dated 31st July, 2020.
- Mr. Pramod Kabra, a Non-Executive Chairperson of the Bank whose tenure of appointment as Chairperson of the Board expired on 23rd June, 2020 was reappointed as such by the Board of Directors vide resolution dated 22nd January, 2020. His re-appointment as Chairperson was approved by the RBI pursuant to communication dated 22nd June, 2020, for a period of 3 years with effect from 24th June, 2020..

Further after the period under review, i.e. 31st March, 2021:

- Ms. Nanda Sameer Dave was appointed as an Additional Director (Independent) to hold the office up to the date of next General Meeting at the Board meeting held on 21st June, 2021
- Ms. Anisha Motwani resigned from the position of an Independent Director w.e.f. 15th April, 2021 due to some technical and logistical challenges with respect to her other assignments.
- Ms. Aarthi Sivanandh was appointed as an Additional Director (Independent) on the Board of the Bank at the Board meeting held on 28th April, 2021 and was re-designated as an Independent Director at the extra-ordinary general meeting held on 1st May, 2021.
- Mr. Dhiraj Poddar was appointed as a Nominee Director (nominated by Fincare Business Services Limited) on the Board of the Bank at the Board meeting held on 27th September, 2021.
- Mr. Divya Sehgal was appointed as a Nominee Director (nominated by Fincare Business Services Limited) on the Board of the Bank at the Board meeting held on 13th October, 2021.
- Mr. Ravindran Lakshmanan ceased to be a Director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee director by Fincare Business Services Limited.

Mr. Sameer Nanavati, Nominee Director, retires by rotation this year, and being eligible, offers himself for re-appointment. The Board recommends his re-appointment as Director of the

Company liable to retire by rotation. Appropriate resolution in this regard shall be placed for approval of the shareholders at the ensuing Annual General Meeting.

The Bank is in compliance with the requirements of the RBI guidelines with respect to Small Finance Banks.

B) Changes in Key Managerial Personnel

During the period under review, there has been no change in the KMPs of the Bank. However, Mr. Rajeev Yadav, Managing Director and CEO of the Bank whose term of 3 years ended on 16th July, 2020 was reappointed as Managing Director & CEO of the Bank for a further period of 3 years effective 17th July, 2020, after obtaining necessary approvals under Banking Regulation Act, 1949 and Companies Act, 2013.

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

There are no material orders passed by the Regulators/Courts/Tribunals during FY-21, 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 Stock Exchanges and SEBI during the year under review.

23. 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 Bank's policies, safeguarding of its assets, timely prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. Further, the management regularly reviews the controls for any possible changes and takes appropriate actions.

24. DECLARATION BY INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosures to the Board confirming compliance with 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 read with the relevant rules.

25. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE BANK 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 (CSR) Policy. The CSR policy of the Bank 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 form part of this report as **Annexure IV**.

26. COMMITTEES OF THE BOARD

The Board has constituted various Committees to take informed decisions in the interest of the Bank and to establish adequate corporate governance practices. The Board Committees deal with specific matters as per powers delegated by the Board and monitor the activities falling under different functional areas of the Bank in accordance with 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.

27. 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

The Directors carried out evaluation of the Board as a whole, its Committees and the Directors (Executive, Non-Executive & Independent Directors) as per the performance evaluation procedure recommended by the Nomination and Remuneration Committee (Nomination Committee) for evaluation of performance of (i) Board/ Committees (ii) Directors, in areas such as, Board composition, level of involvement, performance of duties, attendance, etc. The Directors were updated by the Nomination Committee on various evaluation attributes. The Nomination Committee found the performance of all the Directors to be satisfactory and also found the overall functioning of the Board as well as that of its Committees, 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 it comprised of professionals from multiple backgrounds which brought diversity of thinking and inputs to the table for effective functioning.

Evaluation of the Committees of The Board

The Board evaluated its committees and was satisfied with their composition, functioning, frequency of meetings and performance.

Evaluation of the Directors by the Board:

The Board reviewed the individual performance of all the Directors of the Bank including Executive, Non-Executive and Independent

Directors and noted that the performance of each Director met the expectations of the Bank. The Board further discussed that it is advisable to continue with the existing terms of appointment of the Independent Directors.

28. SEPARATE MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Bank met separately on 1st February, 2021 without the presence of other directors and / or management team members, as required under Schedule IV of the Companies Act, 2013 and other applicable provisions of the Act.

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

The Bank has established a Vigil Mechanism Policy pursuant to which Directors and employees of the Bank can report their concerns on unethical and/or improper behavior, practices, actual or suspected fraud or violation of the Bank's Code of Conduct or any other wrongful conduct in the Bank or of its staff. There were 2 complaints each, reported in the quarter ended September, 2020 and December, 2020 and suitable actions were taken as per Vigil Mechanism Policy adopted by the Bank.

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

The Bank has in place a policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. The Internal Committee has been set up to redress complaints received regarding sexual harassment. All employees are covered under the policy. During FY-21, four complaints were investigated and resolved/dispensed off, details of which are mentioned below:

No. of Complaints Pending at the Beginning of the year	0
No. of Complaints received during the year	4
No. of Complaints resolved during the year	4
No. of Complaints Pending at the End of the year	0

31. MANAGEMENT DISCUSSION & ANALYSIS

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

32. DIRECTORS RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanation relating to material departures;
- the Directors 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 Bank at the end of the financial year 2020-21 and of the profit of the Bank for that period;

- c. the Directors took 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 Bank and for preventing and detecting fraud and other irregularities;
- d. the Directors prepared the annual accounts on a going concern basis;
- e. the Directors 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 devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

33. HUMAN RESOURCES

The Bank continued to attract talent, both freshers and experienced in order to support its business and expansion goals. With ongoing efforts in transforming the Bank, the Bank provided employment opportunities across business, corporate and control functions. During FY-21, the Bank expanded its workforce to 8850 employees as on 31st March, 2021 as against 7,363 employees as on 31st March, 2020.

The disclosures pursuant to section 197 of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are specified in the Corporate Governance Report forming part of this report as **Annexure II**.

34. COMPLIANCE

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

35. CORPORATE GOVERNANCE REPORT

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

sd/-

Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No.4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011 Maharashtra

Date: 13.10.2021

Place: Mumbai

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.

36. COMPLIANCE OF SECRETARIAL STANDARDS

The Bank has a dedicated Secretarial Department which ensures compliances of the Secretarial Standards issued by the Institute of Company Secretaries of India, along with the other requirements of the Companies Act, 2013 and other applicable provisions.

37. 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 to the Bank and hence the same is not maintained.

38. POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION

Pursuant to the provisions of Section 134 and 178 of the Companies Act, 2013, the Bank has formulated and adopted the policy on appointment and remuneration of Directors and Key Managerial Personnel, a copy of which is placed on the website of the Bank at www.fincarebank.com.

39. RBI GUIDELINES

The 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.

40. ACKNOWLEDGMENTS

The 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, Depositors, Bankers and other Lenders, Shareholders, Registrar and Transfer Agent, Debenture holders, Debenture Trustees and other stakeholders 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

sd/-

Rajeev Yadav

Managing Director & Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103, Karnataka

Annexure-I

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended 31st March, 2021

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
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, Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad-380006, Gujarat. Tel: 079-40011000, E-mail- sfbcompsec@fincarebank.com
vi	Whether listed company	No (pursuant to the amended definition of listed company w.e.f. 1 st April, 2021)
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited) Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032

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

S. No.	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Banking and Financial Services	64191	100

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

S. No.	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1	Fincare Business Services Limited 79/7, 3 rd Floor, K. No.1202, Bellandur, Varthur Hobli Bengaluru - 560102, Karnataka	U74900KA2014PLC075614	Holding	90.91%	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	0	0	0	0.00%	0	0	0	0.00%	0.00%	
b) Central Govt.or State Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00%	
c) Bodies Corporates	5,89,98,716	0	5,89,98,716	92.75%	5,78,29,856		5,78,29,856	90.91%	-1.84%	
d) Bank/FI	0	0	0	0.00%	0	0	0	0.00%	0.00%	

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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	
e) Any other	0	0	0	0.00%	0	0	0	0.00%	0.00%
SUB TOTAL:(A) (1)	5,89,98,716	0	5,89,98,716	92.75%	5,78,29,856	0	5,78,29,856	90.91%	-1.84%
(2) Foreign									
a) NRI- Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00%
b) Other Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00%
c) Bodies Corp.	0	0	0	0.00%	0	0	0	0.00%	0.00%
d) Banks/FI	0	0	0	0.00%	0	0	0	0.00%	0.00%
e) Any other	0	0	0	0.00%	0	0	0	0.00%	0.00%
SUB TOTAL (A) (2)	0	0	0	0.00%	0	0	0	0.00%	0.00%
Total Shareholding of Promoter (A)=(A)(1)+(A)(2)	5,89,98,716	0	5,89,98,716	92.75%	5,78,29,856	0	5,78,29,856	90.91%	-1.84%
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	0	0	0	0.00%	0	0	0	0.00%	0.00%
b) Banks/FI	0	0	0	0.00%	0	0	0	0.00%	0.00%
c) Cenntal govt	0	0	0	0.00%	0	0	0	0.00%	0.00%
d) State Govt.	0	0	0	0.00%	0	0	0	0.00%	0.00%
e) Venture Capital Fund	0	0	0	0.00%	0	0	0	0.00%	0.00%
f) Insurance Companies	0	0	0	0.00%	1,30,720	0	1,30,720	0.21%	0.21%
g) FIIS	0	0	0	0.00%	0	0	0	0.00%	0.00%
h) Foreign Venture Capital Funds	0	0	0	0.00%	0	0	0	0.00%	0.00%
i) Others (specify)		0				0			
SUB TOTAL (B)(1):	0	0	0	0.00%	1,30,720	0	1,30,720	0.21%	0.21%
(2) Non Institutions									
a) Bodies corporates									
i) Indian	2556407	0	2556407	4.02%	28,20,317	0	28,20,317	4.43%	0.41%
ii) Overseas	20,55,352	0	20,55,352	3.23%	26,03,292	0	26,03,292	4.09%	0.86%
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 Lakh	6	0	6	0.00%	78,654	0	78,654	0.12%	0.12%
ii) Individuals shareholders holding nominal share capital in excess of ₹1 Lakh	0	0	0	0.00%	1,09,662	0	1,09,662	0.17%	0.17%
c) Others (specify)	0	0	0	0.00%	0	0	0	0.00%	0.00%
AIF	0	0	0	0.00%	6,780	0	6,780	0.01%	0.01%
Society	0	0	0	0.00%	30,440	0	30,440	0.05%	0.05%
HUF			0	0.00%	760		760	0.00%	0.00%
SUB TOTAL (B)(2):	46,11,765	0	46,11,765	7.25%	56,49,905	0	56,49,905	8.88%	1.63%
Total Public Shareholding (B)= (B)(1)+(B)(2)	46,11,765	0	46,11,765	7.25%	57,80,625	0	57,80,625	9.09%	1.84%
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00%	0	0	0	0.00%	0.00%
Grand Total (A+B+C)	6,36,10,481	0	6,36,10,481	100.00%	6,36,10,481	0	6,36,10,481	100.00%	0.00%

(ii) SHARE HOLDING OF PROMOTERS

S No.	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	56,019,976	88.07	9.5	5,78,29,856	90.91	4.03	2.84
2	Lok Management Services Private Limited*	29,78,740	4.68	0	-	-	-	-
Total		5,89,98,716	92.75	9.5	5,78,29,856	90.91	4.03	-1.84

*Lok Management Services Private Limited has merged with Fincare Business Services Limited vide order of Regional Director, Hyderabad dated March 5, 2020.

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (please specify, if there is no change)

S. No.	Particulars of Shareholder	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	Fincare Business Services Limited				
	At the beginning of the year	5,60,19,976	88.07	5,60,19,976	88.07
	Transfer of 29,78,740 equity shares held by Lok Management Services Private Limited to Fincare Business Services Limited post merger	29,78,740	4.68	5,89,98,716	92.75
	Transfer of 11,68,860 equity shares held by Fincare Business Services Limited under secondary sale.	(11,68,860)	(1.84)	5,78,29,856	90.91
	At the end of the year			5,78,29,856	90.91
2	Lok Management Services Private Limited				
	At the beginning of the year	29,78,740	4.68	29,78,740	4.68
	Transfer of 29,78,740 equity shares held by Lok Management Services Private Limited to Fincare Business Services Limited post merger	(29,78,740)	(4.68)	0	0
	At the end of the year			0	0

(IV) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (other than Directors, Promoters & Holders of GD₹ & AD₹)

S. No.	Particulars of Shareholder	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	25,56,407	4.02	25,56,407	4.02
	Purchased equity shares on 18/01/2021	2,48,690	0.39	28,05,097	4.41
	At the end of the year			28,05,097	4.41

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S. No.	Particulars of Shareholder	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
2	Indium IV (Mauritius) Holdings Limited				
	At the beginning of the year	16,65,296	2.62	16,65,296	2.62
	Purchased equity shares on 20/01/2021	1,43,290	0.22	18,08,586	2.84
	At the end of the year			18,08,586	2.84
3	Silver Leaf Oak (Mauritius) Limited				
	At the beginning of the year	3,90,056	0.61	3,90,056	0.61
	Purchased equity shares on 20/01/2021	16,320	0.03		
	At the end of the year			4,06,376	0.64
4	Wagner Limited				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 16/01/2021	2,21,710	0.35	2,21,710	0.35
	At the end of the year			2,21,710	0.35
5	Omega Tc Holdings Pte Ltd				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 21/01/2021	1,05,190	0.17	1,05,190	0.17
	At the end of the year			1,05,190	0.17
6	Leapfrog Rural Inclusion (India) Ltd				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 22/01/2021	61,430	0.10	61,430	0.10
	At the end of the year			61,430	0.10
7	Edelweiss Tokio Life Insurance Company Limited				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 15/01/2021	52,970	0.08	52,970	0.08
	At the end of the year			52,970	0.08
8	Kotak Mahindra Life Insurance Company Limited				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 19/01/2021	45,480	0.07	45,480	0.07
	At the end of the year			45,480	0.07
9	Acts Mahila Mutually Aided Co Op Thrift Society Limited (AMMACTS)				
	At the beginning of the year	0	0	0	0
	Purchased equity shares on 01/03/2021	30,440	0.05	30,440	0.05
	At the end of the year			30,440	0.05
10	Mr. Dasaratha Gunnamreddy				
	At the beginning of the year	1	0	1	0
	Purchase equity shares on 03/02/2021	10,070	0.016	10,071	0.016
	Purchased equity shares on 12/02/2021	7,000	0.011	17,071	0.027
	Purchased equity shares on 02/03/2021	10,000	0.016	27,071	0.04
	At the end of the year			27,071	0.04

(V) SHAREHOLDING OF DIRECTORS & KMP

S. No	Name of the Directors	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 Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	7,070	0.01	7,071	0.01
	i. Purchased equity shares on 03/02/2021				
	At the end of the year	7,071	0.01	7,071	0.01
2	Mr. Pramod Kabra - Chairman and Non-Executive Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
3	Mr. Ravindran Lakshmanan - Nominee Director *				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
	<i>*Mr. Ravindran Lakshmanan ceased to be director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee director by Fincare Business Services Limited</i>				
4	Mr. Sunil Gulati - Independent Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
5	Mr. Varun Sabhlok - Independent Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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**				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
	<i>**Ms. Susan Thomas ceased to be an Independent Director w.e.f. 7th December, 2020</i>				

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S. No	Name of the Directors	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
7	Mr. Alok Prasad - Independent Director				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
9	Ms. Anisha Motwani - Independent Director***				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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
	*** Ms. Anisha Motwani was appointed as Additional Director-Independent w.e.f. 7 th December, 2020 and her appointment was regularised at the Extraordinary General Meeting dated 31 st March, 2021. Further, Ms. Anisha Motwani resigned from the position of Independent Director w.e.f. 15 th April, 2021				
10	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)				
	i. Purchased equity shares on 19/01/2021"	10	0	11	0
	At the end of the year	11	0	11	0
11	Mr. Keyur Doshi - CFO				
	At the beginning of the year	1	0	1	0
	Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
	i. Purchased equity shares on 13/01/2021	8810	0.012	8811	0.012
	ii. Purchased equity shares on 12/02/2021	5000	0.008	13811	0.02
	At the end of the year	13811	0.02	13811	0.02
12	Ms. Shefaly Kothari - CS				
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in 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 (Amount ₹ in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits (FD)	Total Indebtedness
Indebtedness at the beginning of the financial year (1st April 2020)				
i) Principal Amount	11,024	1,25,793	4,09,887	5,46,703
ii) Interest due but not paid	-	-	46	46
iii) Interest accrued but not due	59	394	0	453
Total (i+ii+iii) A	11,082	1,26,186	4,09,934	5,47,202
Change in Indebtedness during the financial year				
Additions	-	47,000	3,40,269	3,87,269
Reduction	5,093	38,680	3,44,664	3,88,437
Net Change (B)	(5,093)	8,320	(4,395)	(1,168)
Indebtedness at the end of the financial year (31st March 2021)				
i) Principal Amount	5,931	1,34,112	4,05,492	5,45,535
ii) Interest due but not paid	-	-	8	8
iii) Interest accrued but not due	320	1,094	1	1,416
Total (i+ii+iii) C	6,251	1,35,206	4,05,502	5,46,959

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No	Particulars of Remuneration	Name of the MD/WTD/ Manager*	Total Amount
1	Gross salary	Rajeev Yadav (MD & CEO)	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	₹ 295 Lakhs	₹ 295 Lakhs
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0.21	0.21
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2	Stock option	Under process#	0
3	Sweat Equity	0	0
4	Commission	0	0
	as % of profit	0	0
	others (specify)	0	0
5	Others, please specify	0	0
	Total (A)	₹ 295.21 Lakhs	₹ 295.21 Lakhs
	Ceiling as per the Act	As per Schedule V of the Companies Act, 2013	

The bank submitted an application to the RBI vide letter dated 2nd December, 2020, seeking approval of proposed variable pay structure for Financial year 2021 for MD & CEO. However, the same did not receive approval from the regulator. Subsequently, a modified proposal dated 22nd September, 2021 towards Variable pay for Financial year 2021 was submitted to the RBI. Response on the same is awaited.

* Remuneration paid in the capacity of Director.

B. Remuneration to other directors: (amount in ₹)

S. No	Particulars of Remuneration	Name of the Directors							Total Amount
		Mr. Alok Prasad	Ms. Susan Thomas	Mr. Vinay Bajjal	Mr. Sunil Gulati	Mr. Varun Sabhlok	Ms. Anisha Motwani	Mr. Sameer Nanavati	
1	Independent Directors								
	(a) Fee for attending board committee meetings	20,00,000	1,50,000	20,00,000	20,00,000	20,00,000	4,50,000	N.A	86,00,000
	(b) Commission	0	0	0	0	0	0		N.A
	(c) Others, please specify	0	0	0	0	0	0		
	Total (1)	20,00,000	1,50,000	20,00,000	20,00,000	20,00,000	4,50,000	-	86,00,000
2	Other Non Executive Directors	N.A							
	(a) Fee for attending board committee meetings							18,00,000	18,00,000
	(b) Commission							0	0
	(c) Others, please specify.							0	0
	Total (2)							18,00,000	18,00,000
	Total (B)=(1+2)	20,00,000	1,50,000	20,00,000	20,00,000	20,00,000	4,50,000	18,00,000	1,04,00,000
	Total Managerial Remuneration	20,00,000	1,50,000	20,00,000	20,00,000	20,00,000	4,50,000	18,00,000	1,04,00,000
	Overall Ceiling as per the Act								

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD

S. 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.	₹ 115.63 Lakhs	₹ 27.54 Lakhs	₹ 143.17 Lakhs
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	₹ 0.07 Lakhs	0	₹ 0.07 Lakhs
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	NA	NA	NA
2	Stock Option	NA**	NA ^{&}	NA
3	Sweat Equity	NA	NA	NA
4	Commission	NA	NA	NA
5	as % of profit	NA	NA	NA
6	others, specify	NA	NA	NA
7	Others, please specify	NA	NA	NA
		0	0	0
	Total	₹ 115.70 Lakhs	₹ 27.54 Lakhs	₹ 143.24 Lakhs

**Stock Option Benefit amounting to ₹ 61,72,300/- pertaining to FY-21 granted vide letter dated 1st June, 2021.

[&] Stock Option Benefit amounting to ₹ 6,17,500/- pertaining to FY-21 granted vide letter dated 1st June, 2021.

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			NIL		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			NIL		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			NIL		
Compounding					

FOR FINCARE SMALL FINANCE BANK LIMITED

sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No. 4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011, Maharashtra

Date: 13.10.2021

Place: Mumbai

sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103, Karnataka

Annexure-II

REPORT ON CORPORATE GOVERNANCE

Fincare Small Finance Bank has put in place a Corporate Governance process that aims to meet stakeholders' aspirations and societal expectations. It is not a discipline imposed by a regulator, but is a culture that guides the Board, Management and Staff to function towards the best interest of stakeholders. The 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 conduct and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency and accountability to its stakeholders.

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Bank'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 requirements as per the Reserve Bank of India ("RBI"), Securities Exchange Board of India ("SEBI") and other Regulators besides good practices recommended by professional bodies or practiced by leading Banks/ Companies in India.

CODE OF CORPORATE GOVERNANCE

The Bank has adopted and implemented Corporate Governance Policy which empowers the Board with necessary authority to review and evaluate its operations. This Policy permits the Board to make decisions that are independent of the Management. The Board may change this Policy from time to time in order to effectively achieve Bank's stated objectives.

BOARD OF DIRECTORS

The Bank has an optimal combination of Executive Director, 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 from time to time. The Board's actions and decisions are aligned with the Bank's best interests. It is committed to the goal of sustainably elevating Bank's value. The Board critically evaluates Bank'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 Bank as trustees of the Shareholders.

1. Composition of the Board and directorships held during the FY-21:

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* (As on 30/09/2021)
Executive Director	Mr. Rajeev Yadav, Managing Director and Chief Executive Officer	17 th July, 2017	-	12	12	No	0
Non-Executive Directors	Mr. Pramod Kabra, Chairman and Non-Executive Director	19 th September, 2013	-	10	30	No	5
	Mr. Ravindran Lakshmanan, Nominee Director	19 th May, 2018	-	6	8	Yes	2
	Mr. Sameer Nanavati, Nominee Director	24 th June, 2017	-	12	12	Yes	3
	Mr. Alok Prasad, Independent Director	20 th July, 2017	-	13	23	No	3
	Mr. Sunil Gulati, Independent Director	20 th July, 2017	-	13	32	Yes	11
Independent Directors	Ms. Susan Thomas, Independent Director	2 nd September, 2014	7 th December, 2020	0	3	No	NA
	Mr. Varun Sabhlok, Independent Director	31 st August, 2017	-	13	17	No	0
	Mr. Vinay Bajjal, Independent Director	25 th February, 2017	-	13	24	No	3
	Ms. Anisha Motwani, Independent Director	7 th December, 2020	15 th April, 2021	3	3	No	NA

Notes:

- *Ms. Anisha Motwani resigned from the position of Independent Director w.e.f. 15th April, 2021
- *Ms. Aarthi Sivanandh was appointed as Additional Director (Independent) on the Board of the Bank w.e.f. 28th April, 2021 and was re-designated as an Independent Director on 1st May, 2021
- *Mr. Dhiraj Poddar was appointed as Nominee Director (nominated by Fincare Business Services Limited) on the Board of the Bank at the Board meeting held on 27th September, 2021
- *Mr. Divya Sehgal was appointed as Nominee Director (nominated by Fincare Business Services Limited) on the Board of the Bank at the Board meeting held on 13th October, 2021
- *Ms. Nanda Sameer Dave was appointed as Additional Director (Independent) on 21st June, 2021 to hold the office up to the date of next General Meeting
- *Mr. Pramod Kabra, Non-Executive Chairperson of the Bank was reappointed for a further period of 3 years effective 24th June, 2020
- * Mr. Rajeev Yadav, Managing Director and CEO of the Bank whose tenure of appointment as Managing Director and CEO expired on 16th July, 2020 was reappointed as such for a further period of 3 years effective 17th July, 2020
- *Mr. Ravindran Lakshmanan ceased to be director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee director by Fincare Business Services Limited

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, a Nominee Director representing Fincare Business Services Limited holds 7,071 equity shares of the Bank amounting to negligible percentage (0.01%) of total paid-up Equity Share Capital of the Bank.

Apart from the above, none of the other Non-executive Directors of the Company hold any shares in the Company.

BOARD MEETINGS

The Board of Directors of the Company met 13 (Thirteen) times in the FY21. 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 meetings held in the year are mentioned hereunder: -

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	11 th May, 2020	7 th July, 2020	22 nd October, 2020	22 nd January, 2021
2.	1 st June, 2020	29 th July, 2020	11 th November, 2020	3 rd February, 2021
3.	8 th June, 2020	19 th August, 2020	7 th December, 2020	3 rd March, 2021
4.	-	-	-	23 rd March, 2021

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. Various presentations were also made to the Board by the functional

heads on important matters. In addition to items which were required to be placed before the Board for its noting and / or approval, information on various other significant items was also provided.

COMMITTEES OF THE BOARD

During the period under review, the Board had 8 (Eight) Committees, namely,

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

These Committees assist the Board of Directors by focusing on specific responsibilities in greater detail than what is achievable for the Board as a whole, reporting to the Board and making necessary recommendations.

The Stakeholder Relationship Committee of the Board was constituted on 26th April, 2021 after the conclusion of FY21. In addition, a Special Committee of Board to investigate fraud perpetrated by Sambandh Finserve was also formed on 14th June, 2021. Consequently, as on date the Board has 10 (ten) Committees.

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 ACB as on 31st March, 2021 is as follows:

1. Mr. Vinay Bajjal – Chairperson and Independent Director
2. Mr. Alok Prasad - Independent Director
3. Mr. Pramod Kabra – Chairman of Board and Non-Executive Director

4. Mr. Sameer Nanavati – Nominee Director
5. Mr. Sunil Gulati - Independent Director
6. Mr. Varun Sabhlok - Independent Director

The ACB of the Board met 9 (Nine) times during the year under review:

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	18 th May, 2020	7 th July, 2020	19 th October, 2020	4 th January, 2021
2.	8 th June, 2020	-	22 nd October, 2020	2 nd February, 2021
3.	-	-	11 th November, 2020	27 th February, 2021

Audit Committee Meeting Attendance:

Name	Nature of Directorship	No of meetings attended
Mr. Vinay Bajjal	Chairperson of the Audit Committee and Independent Director	9
Mr. Alok Prasad	Independent Director	8
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	9
Mr. Sameer Nanavati	Nominee Director	9
Mr. Sunil Gulati	Independent Director	9
Mr. Varun Sabhlok	Independent Director	7

The ACB was reconstituted on 27th September, 2021 i.e. after the conclusion of FY21, with following members:

1. Mr. Vinay Bajjal, Chairperson of the Committee and Independent Director
2. Mr. Alok Prasad, Independent Director Nominee Director
3. Mr. Dhiraj Poddar, Nominee Director
4. Ms. Nanda Dave, Additional Director (Independent)
5. Mr. Sameer Nanavati,
6. Mr. Sunil Gulati, Independent Director
7. Mr. Varun Sabhlok, Independent Director

Functioning of the ACB:

On 14th July, 2021, the Board of Directors revised the charter for the ACB setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013, applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms

of reference of the Audit Committee are covered by its charter. Its functioning, inter alia includes the following:

A. Audit-related functions

1. 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.
2. Discussing with statutory auditors before the commencement of audit, about the nature and scope of audit as well as post-audit discussion, to ascertain area of concern, if any.
3. Reviewing and monitoring the statutory and internal auditors' independence and performance and effectiveness of audit process.
4. Approving payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing compliance with inspection and audit reports of Reserve Bank of India, the findings of internal investigations, discussing the scope of audit with external auditors and examining reasons for substantial defaults, if any.
6. Reviewing 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 change in processes and procedures, if any, etc.

B. Financial Statements

1. 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; and
 - (vii) Qualifications in draft Audit report.
2. Reviewing, with the management, the half-yearly financial statements before submission to the Board for approval; and
3. Reviewing, with the management, the quarterly financial statements.

C. Internal audit related functions

1. Reviewing with the management, the adequacy of the internal control systems;
2. 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;
3. Discussing with internal auditors any significant findings and follow up there on; and
4. 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.

D. Related Party Transactions

Approving or suggesting modification of transactions of the Bank with related parties, if required.

E. Others

1. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter.
2. Evaluating internal financial controls and risk management systems.
3. Appointing 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.
4. Undertaking and / or approving valuation of undertakings or assets of the Bank, wherever it is necessary.
5. Scrutinizing inter-Bank loans and investments.
6. Reviewing guidelines for investing surplus funds of the Bank.
7. Reviewing investment proposals before submission to the Board of Directors.
8. 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.
9. Ensuring proper system of storage, retrieval, display, or printout of the electronic record.
10. Examining the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
11. Reviewing the functioning of the Whistle Blower / vigil mechanism.
12. Any other requirement in accordance with the applicable provisions of Companies Act, or any re-enactment,

amendment or modification thereto from time to time.

13. Reviewing findings and report of Fraud Monitoring Committee on periodic basis on the cases of attempted fraud and any other findings.
14. Reviewing the KYC/Anti-Money Laundering (AML) / Counter - Financing of Terrorism (CFT) policy annually and the implementation of the Bank's AML / CFT programme.
15. Approving appointment of Chief Financial Officer (CFO) after assessing the qualifications, experience and background, etc. of the candidate.
16. Carrying out any other function mentioned in the terms of reference of the audit committee
17. Reviewing the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision
18. Any other duties and responsibilities that are consistent with the Committee's purpose, Articles of Association as the Board or Committee deems necessary or appropriate.

F. Disclosure

1. 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;
2. Take note of required disclosures on significant changes in internal controls over financial reporting during the year;
3. Mandatorily review the following information:
 - (i) 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;
 - (ii) Management letters of internal control weaknesses issued by the statutory auditors;
 - (iii) Internal audit reports relating to internal control weaknesses;
 - (iv) The appointment, removal and terms of remuneration of the Chief Internal Auditor; and;
 - (v) Statement of deviations:
 - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
 - b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice.

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:

As at 31st March, 2021, the NRC consisted of the following members:

1. Mr. Sunil Gulati – Chairperson and Independent Director
2. Mr. Alok Prasad - Independent Director
3. Mr. Pramod Kabra – Chairman of Board and Non-Executive Director
4. Mr. Vinay Baijal - Independent Director

The NRC of the Board met 12 (Twelve) times during the year under review:

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	11 th May, 2020	28 th July, 2020	15 th October, 2020	3 rd February, 2021
2.	13 th June, 2020	13 th August, 2020	21 st October, 2020	-
3.	20 th June, 2020	4 th September, 2020	6 th November, 2020	-
4.	26 th June, 2020	-	26 th November, 2020	-

Nomination and Remuneration Committee Meeting attendance:

Name	Nature of Directorship	No of meetings attended
Ms. Susan Thomas#	Chairperson of the NRC and Independent Director	1
Mr. Alok Prasad	Independent Director	12
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	12
Mr. Sunil Gulati*	Independent Director	11
Mr. Vinay Baijal	Independent Director	12

Ms. Susan Thomas ceased to be a member of the Committee due to her resignation as an Independent Director effective 7th December, 2020.

*Mr. Sunil Gulati was elected Chairperson of the Committee after resignation of Ms. Susan Thomas as mentioned above.

The Nomination and Remuneration Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Alok Prasad, Chairperson of the Committee and Independent Director
2. Mr. Sunil Gulati, Independent Director
3. Mr. Pramod Kabra, Chairman of Board and Non-Executive Director

4. Mr. Vinay Baijal, Independent Director

Functioning of the NRC

The Board of Directors revised the charter for the NRC setting out the roles, responsibilities and functioning of this Committee on 14th July, 2021. In addition to adherence to the provisions of the Companies Act, 2013 and applicable RBI guidelines, the terms of reference of Nomination and Remuneration Committee is covered by its Charter and its functioning, inter alia, includes the following:

1. Formulating the criteria for determining qualifications, compliance with the fit and proper criteria as required under the Reserve Bank of India Guidelines for Licensing of Small Finance Banks in the Private Sector, attributes and independence of a Director and recommending to the Board of Directors a policy, relating to the remuneration of the directors, Key Managerial Personnel and other employees;
2. While formulating the above policy, ensure that —
 - (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run our Bank successfully;
 - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (iii) 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
3. Formulating criteria for evaluation of performance of Independent Directors and the Board of Directors;
4. Reviewing the performance of each existing Director and considering the results of such review when determining whether or not to recommend the nomination of such Director for the next year;
5. Devising a policy on diversity of Board of Directors;
6. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board of Directors their appointment and removal and the manner for effective evaluation of performance of the Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and reviewing its implementation and compliance.
7. Extending or continuing the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors;
8. Recommending to the board, all remuneration, in whatever form, payable to senior management;
9. Determining the Bank's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment;

10. Deciding the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors;
11. Defining and implementing the performance linked incentive scheme and evaluating the performance and determine the amount of incentive of the Whole-time Directors for that purpose;
12. Administering, monitoring and formulating detailed terms and conditions of the Employees Stock Option Scheme of the Bank;
13. Periodically reviewing and suggesting 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;
14. Carrying out any other function as mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable;
15. Planning for MD&CEO/ senior management succession including plans for interim succession in the event of an unexpected occurrence and submitting a report to the Board to nominate potential successors to such personnel;
16. Ensuring 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;
17. Ensuring 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;
18. Scrutinizing Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis, performing due diligence in respect of each of its Directors and reporting to the Reserve Bank if any of its directors fails to fulfil the 'fit and proper' criteria as specified by the RBI from time to time.
19. Reviewing and assessing its own performance on an annual basis;
20. Overseeing the Director succession planning process for ensuring the right mix of Directors on the Board;
21. In cases where a 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;
22. Developing 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; and
23. Performing such other functions as may be necessary or appropriate for the performance of its duties.

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 products and services across the Bank and to ensure that the established risk culture is adopted across all levels.

As at 31st March, 2021, the RMCB consisted of the following members:

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

The RMCB of the Board met 5 (Five) times during the year under review:

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	6 th June, 2020	7 th July, 2020	21 st October, 2020	27 th January, 2021
2.	-	-	-	26 th February, 2021

RMCB Attendance:

Name	Nature of Directorship	No of meetings attended
Mr. Sunil Gulati	Chairperson of the RMCB and Independent Director	5
Mr. Pramod Kabra	Chairman of Board and Non-Executive Director	5
Mr. Rajeev Yadav	Managing Director and CEO	5
Mr. Ravindran Lakshmanan*	Nominee Director	4
Mr. Varun Sabhlok	Independent Director	3

*Mr. Ravindran Lakshmanan ceased to be Director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee Director by Fincare Business Services Limited.

The RMCB was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Sunil Gulati, Chairperson of the Committee
2. Mr. Rajeev Yadav, Managing Director and CEO
3. Mr. Alok Prasad, Independent Director
4. Mr. Varun Sabhlok, Independent Director
5. Mr. Ravindran Lakshmanan, Nominee Director

Functioning of Risk Management Committee

On 14th July, 2021, the Board of Directors have revised the charter for the Risk Management Committee setting out the roles,

responsibilities and functioning of the Committee. In addition to the applicable RBI guidelines, the terms of reference of Risk Management Committee are covered by its Charter and its functioning, inter alia includes the following:

A. Risk Management

1. Ensuring that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;
2. Establishing a framework for the risk management process and to ensure its implementation in the Bank;
3. Ensuring that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
4. Reviewing and recommending changes, from time to time, to the Risk Management plan and/ or associated frameworks, processes and practices of the Bank;
5. Enabling compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
6. Verifying adherence to various risk parameters and prudential limits for treasury operations and to review its risk monitoring system;
7. Performing other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference;
8. Developing 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;
9. Evaluating overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank;
10. Reviewing management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis;
11. Reviewing the credit and liquidity stress test results on a quarterly basis;
12. Identifying, monitoring and measuring the risk profile of the bank;
13. Ensuring 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;
14. Developing policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks;
15. Designing stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures;
16. Monitoring compliance of various risk parameters by operating Departments;

17. Reviewing the outsourcing functions of the Bank;
18. Reviewing risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy);
19. Reviewing adequacy of insurance policies taken by Management to cover risks/ transfer risk exposures;
20. Ensuring compliance with Banks Group policy and regulatory requirement.

B. Liquidity Management

1. Ensuring compliance with Banks Group policy and regulatory requirement;
2. Setting local targets and reviewing assumptions used for forecasting cash flows;
3. Reviewing and approving contingency plans for liquidity and realisability assumption;
4. Reviewing and managing concentration risk arising from both borrowers and depositors;
5. Ensuring business activity is consistent with the structural integrity of the balance sheet, including capital consumption;
6. Ensuring 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 constituted in accordance with Section 135 of the Companies Act, 2013 read with applicable rules as amended from time to time. As at 31st March, 2021 the Committee consisted of the following members:

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

The CSR Committee of the Board met thrice during the year under review.

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	-	22 nd July, 2020	15 th October, 2020	1 st February, 2021

CSR Committee Meeting Attendance:

Name	Nature of Directorship	No of meetings attended/ approval granted
Mr. Alok Prasad	Chairperson of the CSR and Independent Director	3
Mr. Ravindran Lakshmanan*	Nominee Director	2
Mr. Sameer Nanavati	Nominee Director	3
Ms. Susan Thomas#	Independent Director	1
Mr. Varun Sabhlok	Independent Director	3
Ms. Anisha Motwani*	Independent Director	1

*Mr. Ravindran Lakshmanan ceased to be Director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee director by Fincare Business Services Limited.

#Ms. Susan Thomas ceased to be a member of the Committee due to her resignation as an Independent Director effective 7th December 2020.

*Ms. Anisha Motwani was appointed as member of the Committee effective 7th December 2020 and ceased to be a member of the Committee due to her resignation as an Independent Director effective 15th April, 2021.

The Corporate Social Responsibility Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Ms. Aarthi Sivanandh, Chairperson of the Committee and Independent Director
2. Mr. Ravindran Lakshmanan, Nominee Director
3. Mr. Sameer Nanavati, Nominee Director
4. Mr. Varun Sabhlok, Independent Director

The Bank has spent a total amount of ₹ 1,48,78,940/- towards CSR activities for FY21 as against the total CSR obligation of ₹ 1,48,78,778/- in the areas specified in Schedule VII of the Companies Act, 2013, ₹ 162/- being excess amount is available for set off in succeeding financial years.

A detailed Report on Corporate Social Responsibility (CSR) Activities for FY-21 is enclosed as **Annexure IV**

Functioning of the CSR Committee

The CSR Committee has acted as per the policy laid down by the Board. The Board has revised the Charter of the CSR Committee setting out the responsibilities, roles of the Committee, the terms of reference of the Committee on 26th April, 2021 which inter-alia includes the following:

To consider, review and decide the following:

1. Formulating a corporate social responsibility policy to the

Board, indicating the activities to be undertaken by the Bank in areas or subject specified in the Companies Act, 2013. The activities shall be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;

2. Recommending the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Bank in the three immediately preceding financial years;
3. Recommending to the Board, the amount of expenditure to be incurred on the activities pertaining to CSR.(Prescribed in Schedule VII) and monitor the same;
4. 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;
5. Instituting a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Bank;
6. Monitoring the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;
7. Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;
8. Review management's position on key stakeholder expectations involving corporate social responsibility and provide perspectives for Board's consideration;
9. Identifying and appointing the corporate social responsibility team of the Bank including corporate social responsibility manager, wherever required;
10. Reviewing management-identified opportunities to optimize the use of technology for the use of CSR activities; and
11. Performing such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Bank.

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 set up and formed a Special Committee for Fraud Monitoring ("FMC") at the meeting of the Board of Directors held on 24th

June, 2017 for monitoring and follow up on cases amounting to ₹ 1 Crore and above.

The Fraud Monitoring Committee as at 31st March, 2021 comprised of the following members

1. Mr. Sameer Nanavati – Chairperson of FMC and Nominee Director
2. Ms. Anisha Motwani – Independent Director
3. Mr. Alok Prasad - Independent Director
4. Mr. Rajeev Yadav – Managing Director and Chief Executive Officer
5. Mr. Vinay Bajjal - Independent Director

The Fraud Monitoring Committee did not meet during the year under review since the Committee is exclusively formed for monitoring and follow up of cases of fraud involving amount of ₹ 1,00,00,000 (Rupees One Crore) and above and there were no cases of such fraud during the year.

The Fraud Monitoring Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Sameer Nanavati, Chairperson of the Committee and Nominee Director
2. Ms. Aarthi Sivanandh, Independent Director
3. Mr. Alok Prasad, Independent Director
4. Mr. Rajeev Yadav, Managing Director and CEO
5. Mr. Vinay Bajjal, Independent Director

Functioning of Fraud Monitoring Committee

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

- Identifying the system lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;
- Identifying the reasons for delay in detection, if any and report to top management of the Bank and RBI (if any);
- Monitoring progress of Central Bureau of Investigation / Police Investigation and recovery position;
- Ensuring 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;
- Reviewing the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
- Putting in place other measures as may be considered relevant to strengthen preventive measures against frauds;
- Updating the Audit committee on periodic basis on the cases of attempted fraud and action taken on them.

IT STRATEGY COMMITTEE MEETING

IT Strategy Committee was formed by the Board of Directors at

their meeting held on 24th June, 2017 in order to assist the Board in overseeing the IT functions of the Bank, besides providing inputs, reviewing and amending the aligned corporate and IT strategy.

As at 31st March, 2021, the IT Strategy Committee consisted of the following members:

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

The IT Strategy Committee of the Board met 4 (four) times during the year under review.

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	14 th April, 2020	22 nd July, 2020	21 st October, 2020	1 st February, 2021

IT Strategy Committee Meeting attendance:

Name	Nature of Directorship	No of meetings attended/ approval granted
Mr. Varun Sabhlok	Chairperson of the Committee and Independent Director	4
Mr. Pramod Kabra	Chairman of the Board and Non-Executive Director	4
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	4
Mr. Sunil Gulati	Independent Director	4
Ms. Anisha Motwani*	Independent Director	1

*Ms. Anisha Motwani was appointed as member of the Committee effective 7th December, 2020 and ceased to be a member of the Committee due to her resignation as an Independent Director effective 15th April, 2021.

The IT Strategy Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Varun Sabhlok, Chairperson of the Committee and Independent Director
2. Ms. Nanda Dave, Independent Director
3. Mr. Rajeev Yadav, Managing Director and CEO
4. Mr. Sunil Gulati, Independent Director

Functioning of IT Strategy Committee

Terms of reference in addition to the regulatory requirements is governed by the charter which broadly 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 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);
- Reviewing 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 and contribution of IT to businesses (i.e. delivering the promised value).

CUSTOMER SERVICE COMMITTEE

Customer Service Committee was 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.

As at 31st March, 2021, the Customer Service Committee consisted of the following members:

1. Mr. Ravindran Lakshmanan – Chairperson of the Customer Service Committee and Nominee Director
2. Ms. Anisha Motwani – Independent Director
3. Mr. Rajeev Yadav – Managing Director and Chief Executive Officer

4. Mr. Sunil Gulati – Independent Director
5. Mr. Vinay Bajjal - Independent Director

The Customer Service Committee of the Board met thrice during the year under review.

S. No.	Quarter 1 (April-June)	Quarter 2 (July-Sept)	Quarter 3 (Oct-Dec)	Quarter 4 (Jan-March)
1.	-	22 nd July, 2020	21 st October, 2020	1 st February, 2021

Customer Service Committee Meeting Attendance:

Name	Nature of Directorship	No of meetings attended/ approval granted
Mr. Ravindran Lakshmanan*	Nominee Director	2
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer	3
Mr. Sunil Gulati	Independent Director	3
Ms. Susan Thomas#	Independent Director	1
Mr. Vinay Bajjal	Independent Director	3
Ms. Anisha Motwani*	Independent Director	1

*Mr. Ravindran Lakshmanan ceased to be director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee Director by Fincare Business Services Limited.

#Ms. Susan Thomas ceased to be a member of the Committee due to her resignation as an Independent Director effective 7th December, 2020.

*Ms. Anisha Motwani was appointed as member of the Committee effective 7th December, 2020 and ceased to be a member of the Committee due to her resignation as an Independent Director effective 15th April, 2021.

The Customer Service Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Ravindran Lakshmanan, Chairperson of the Committee and Nominee Director
2. Ms. Aarthi Sivanandh, Independent Director
3. Ms. Nanda Dave, Additional Director (Independent)
4. Mr. Rajeev Yadav, Managing Director and CEO

Functioning of the Customer Service Committee

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

- Formulating 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.
- Monitoring implementation of awards under the Banking Ombudsman Scheme.

- Ensuring customers are treated fairly all the times and complaints raised by them are dealt with courtesy and in time.
- Evaluating feedback on quality of customer service and overseeing implementation of commitments towards customers as per the directions received from BCSBI.
- Ensuring that all regulatory instructions regarding customer service are followed by the Bank.
- Reviewing and approving customer service policies and customer communication strategies of the Bank
- Reviewing the performance of Standing Committee on Customer Service.

CREDIT APPROVAL COMMITTEE

Credit Approval Committee of the Board was constituted by the Board members at their meeting held on 24th June, 2017 in order to assist the Board 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.

As at 31st March, 2021, the Credit Approval Committee consisted of the following members:

1. Mr. Pramod Kabra – Chairman of Board and Non-Executive Director
2. Mr. Rajeev Yadav – Managing Director and Chief Executive Officer
3. Mr. Sameer Nanavati – Nominee Director
4. Mr. Sunil Gulati - Independent Director
5. Mr. Vinay Bajjal - Independent Director

The Credit Approval Committee is required to meet as and when required. Since there was no such requirement, the committee did not meet during the year under review.

The Credit Approval Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Pramod Kabra, Chairman of Board and Non-Executive Director
2. Mr. Rajeev Yadav, Managing Director and CEO
3. Mr. Sameer Nanavati, Nominee Director
4. Mr. Sunil Gulati, Independent Director
5. Mr. Varun Sabhlok, Independent Director

Functioning of the Credit Approval Committee

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

- Formulating 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.

- Approving credit exposures which are beyond the powers delegated to executives of the Bank.
- Implementing effective loan review mechanism and portfolio management.

STAKEHOLDER RELATIONSHIP COMMITTEE

Stakeholder Relationship was constituted on 26th April, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Alok Prasad – Chairperson of the Committee & Independent Director
2. Mr. Rajeev Yadav – Managing Director & Chief Executive Officer
3. Mr. Sameer Nanavati - Nominee Director

Functions of the Stakeholder Relationship Committee

- Resolving the grievances of the security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints.
- Reviewing measures taken for effective exercise of voting rights by shareholders.
- Reviewing adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
- Reviewing the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Bank; Formulating procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
- Redressing shareholders' and investors' complaints/ grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- Approving transfer or transmission of shares and other securities;
- Approving sub-division, consolidation and/or replacement of share or other securities certificate(s) of the Bank;
- Approving allotment and listing of shares, transfer or transmission of shares, debentures or any other securities;
- Authorizing affixation of common seal of the Bank;
- Approving the transmission of shares or other securities arising as a result of death of the sole/ any joint shareholder;

- Approving dematerialization or rematerialization of the issued shares;
- Ensuring proper and timely attendance and redressal of investor queries and grievances;
- Carrying out any other functions contained in the SEBI Listing Regulations, Companies Act, 2013 and/ or equity listing agreements (if applicable), as and when amended from time to time; and
- Delegating powers to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).

SPECIAL COMMITTEE OF BOARD

Special Committee of Board to investigate fraud perpetrated by Sambandh Finserve was constituted on 14th June, 2021 i.e. after the conclusion of FY-21, with following members:

1. Mr. Rajeev Yadav – Chairperson of the Committee, Managing Director & Chief Executive Officer
2. Ms. Aarthi Sivanandh- Independent Director
3. Mr. Ravindran Lakshmanan*- Nominee Director
4. Mr. Sunil Gulati - Independent Director
5. Mr. Varun Sabhlok - Independent Director

**Mr. Ravindran Lakshmanan ceased to be Director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee Director by Fincare Business Services Limited.*

Function of the Special Committee

The Special Committee shall be responsible for:

- Identifying the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same
- Identifying the reasons for delay in detection, if any, reporting to top management of the bank and RBI
- Monitoring progress of CBI/Police investigation and recovery position
- Ensuring 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
- Reviewing the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls

GENERAL BODY MEETINGS

a) Annual General Meeting:

Annual General Meetings (AGM) is the 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 FY19-20 was held on 31st July, 2020 at the Registered Office of the Company situated at 301-306, 3rd Floor, Abhijeet-V Opp. Mayor's Bungalow, Law Garden Road, Mithakhali, Ahmedabad – 380006, Gujarat.

Annual Forms were filed in time with the Registrar of Companies, Gujarat.

Form No.	Type of Form	Relevant section	Date of filing/ submission
MGT-7	Annual Return	92(1)	21 st September, 2020
AOC-4	Balance Sheet and Profit and loss A/c	137	20 th August, 2020

b) Extra-Ordinary General Meeting:

During the Year, 4(four) Extra-Ordinary General Meetings were held viz. 10th December, 2020; 1st February, 2021; 25th March, 2021 and 31st March, 2021.

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

Also, no Special resolution is proposed to be passed through Postal Ballot.

SUBSIDIARY COMPANY

The Bank does not have any subsidiary.

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Bank met on 1st February, 2021 without any Non-Independent Directors in attendance.

PERFORMANCE EVALUATION OF DIRECTORS

The Bank followed an objective based approach for carrying out performance evaluation of Directors. Also, the performance evaluation of the Board collectively, Board-level 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, as approved by Board, is paid in the form of sitting fees only. The RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated 1st June, 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.

At the Bank, Sitting fees of ₹ 1,00,000/- and ₹ 50,000/- was paid to Non-Executive Directors (as approved by Board) for every Board and Committee meeting attended by them. However, the total amount paid to each such during a financial year did not exceed ₹ 20,00,000/- 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 receiving sitting fee.

The details of sitting fees paid to Non-Executive Directors are mentioned herein below:

Name of Director	Sitting Fees Paid (In ₹)
Mr. Alok Prasad	20,00,000
Mr. Sameer Nanavati	18,00,000
Mr. Sunil Gulati	20,00,000
Ms. Susan Thomas	1,50,000
Mr. Varun Sabhlok	20,00,000
Mr. Vinay Bajjal	20,00,000
Ms. Anisha Motwani	4,50,000

CREDIT RATINGS

During the year under review and till the date of Board's report, the Bank has been assigned CARE A (Stable) and ICRA A (Stable) from CARE RATINGS and ICRA respectively for its Fund based facilities. The Bank has also been assigned IND A (Stable) credit rating by India Ratings & Research for its Unsecured Sub-ordinated Debt/ Non-Convertible Debentures and CARE A Stable Rating from CARE RATINGS for its Unsecured Sub-ordinated Debt/ Non-Convertible Debentures. Further the Bank has been assigned MA+ (Stable) credit rating for its Fixed Deposits by ICRA and for Certificate of Deposits it has been assigned Crisil A1+ rating from CRISIL.

CODE OF CONDUCT

The Company has a Code of Conduct policy in place and all staff and senior management have adhered compliance to 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 Bank's website and at all branches of the Bank.

DISCLOSURE REGARDING MANAGERIAL REMUNERATION

Sr. No.	Particulars	Remarks
1	Designation	Mr. Rajeev Yadav, Managing Director and Chief Executive Director
2	Remuneration received	₹ 295.21 Lakhs
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 25 years
5	Date of commencement of employment*	17 th July, 2020
6	The percentage of equity shares held by the employee in the company	0.00 (Negligible)

* Mr. Rajeev Yadav, Managing Director and CEO of the Bank whose tenure of appointment as Managing Director and CEO expired on 16th July, 2020 was reappointed as such for a further period of 3 years effective 17th July, 2020.

Disclosure pursuant to Rule 5(1) & 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel)

Rules, 2014:

Disclosure pursuant to Rule 5(1):

Median Info:	
(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year; (median means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one, if there is an even number of observations, the median shall be the average of the two middle values)	164X, 164:1
(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	CEO -0% CFO-0% CS- 10%
(iii) the percentage increase in the median remuneration of employees in the financial year;	-6%
(iv) the number of permanent employees on the rolls of company	8850
(v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	(i) Average percentile increase in salaries of employees other than managerial Personnel: 9.7%* (ii) Average percentile increase in salaries of managerial Personnel: 9.7%**
(vi) affirmation that the remuneration is as per the remuneration policy of the company	Yes

* The average increase in compensation for top-rated employees in was 17%.

** The Average percentile increase in salaries of Managerial Personnel refers to change in salary for CS only. There was no change in salary for MD & CEO and CFO for this period.

Information with respect to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is available for inspection at the registered office of the Bank during business hours on working days of the Bank. If any member is interested in obtaining a copy, such member may write to the Company Secretary in this regard.

Related Party Disclosure pursuant to Part A of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015:

Nature of transaction	Relationship	31st March, 2021 (₹ In Lakhs)	31st March, 2020 (₹ In Lakhs)
Issue of equity shares			
Fincare Business Services Limited	Holding company	-	680
Securities premium on equity shares			
Fincare Business Services Limited	Holding company	-	8,265
Managerial remuneration/ remuneration for KMP			
Mr. Rajeev Yadav	MD&CEO-Key management personnel	295	391
Mr. Keyur Doshi	CFO-Key management personnel	121	125
Ms. Shefaly Kothari	CS-Key management personnel	28	22
Term deposits made with the Bank			
Fincare Business Services Limited	Holding Company	6,765	1
Mr. Rajeev Yadav (Rs. 3,000)	Key management personnel	-	6
Mr. Keyur Doshi	Key management personnel	-	-
Ms. Shefaly Kothari	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	229	84
Term deposits matured (Inclusive of interest)			
Fincare Business Services Limited	Holding Company	6,771	1

Nature of transaction	Relationship	31st March, 2021 (₹ In Lakhs)	31st March, 2020 (₹ In Lakhs)
Mr. Rajeev Yadav	Key management personnel	-	6
Mr. Keyur Doshi	Key management personnel	-	-
Ms. Shefaly Kothari	Key management personnel	-	3
Relative of key management personnel	Relative of key management personnel	40	23
Interest expense on term deposits			
Fincare Business Services Limited	Holding Company	6	-
Mr. Rajeev Yadav	Key management personnel	1	1
Mr. Keyur Doshi	Key management personnel	0	0
Ms. Shefaly Kothari	Key management personnel	-	0
Relative of key management personnel	Relative of key management personnel	28	10
Interest expense on Sub Debts			
Fincare Business Services Limited	Holding Company	4	316

VIGIL MECHANISM POLICY

The Company has adopted a Vigil Mechanism Policy, pursuant to which, Directors, employees and vendors of the Bank can report concerns on unethical and/or improper behavior, practices, actual or suspected fraud or violation of the Bank's Code of Conduct or any other wrongful conduct in the Bank or of its employees. Details of complaints received, and the action taken on the complaints were reviewed by the Audit Committee of the Board.

VIGIL MECHANISM

Vigilance is an inseparable part of management. It promotes clean

Table Contd. to next column

business transactions, professionalism, productivity, promptness and transparent practices and ensures putting in place systems and procedures to curb opportunities for corruption which results in improving efficiency and effectiveness of the personnel as well as the organization. Anti-corruption measures of the Banks are a responsibility of the disciplinary authority identified in the Bank and it has the over-all responsibility of looking into the acts of misconduct alleged against, or committed by, the employees within its control and to take appropriate punitive action. It is also required to take appropriate preventive measures so as to prevent commission of misconducts/ malpractices by the employees under its control and jurisdiction. Vigilance functions are performed by Vigilance & Ethics Officer which would be wide ranging and include collecting intelligence about the corrupt practices committed, or likely to be committed, by the Bank staff; investigating or causing an investigation to be made into verifiable allegations reported to him; processing investigation reports for further consideration of the disciplinary authority concerned; referring the matters to the MD&CEO of the Bank for advice wherever necessary, taking steps to prevent commission of improper practices/misconducts, etc

FINANCIALS CIRCULATION

Financial Results of the half year ended 30th September 2020 and 31st March 2021 were published in newspaper having nationwide circulation on 12th November 2020 and 16th June 2021 respectively in accordance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

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 Bank, penalties or structures imposed by any Regulatory Authority. There are no materially significant related party transactions with the Bank's Promoters, directors, key managerial personnel or their relatives, which may have potential conflict with the interest of the Bank at large.

FOR FINCARE SMALL FINANCE BANK LIMITED

sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No. 4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011, Maharashtra

Date: 13.10.2021

Place: Mumbai

GENERAL SHAREHOLDER INFORMATION

Shareholding pattern as on 31st March, 2021

S. No.	Category of the Shareholder	No. of Shares	Percentage (%)
1	Promoters	5,78,29,856	90.91
2	Insurance Companies	1,30,720	0.21
3	Indian Bodies Corporates	28,20,317	4.43
5	Overseas Bodies Corporates	26,03,292	4.09
6	AIF	6,780	0.01
7	Society	30,440	0.05
8	HUF	760	0.00
10	Indian Public	1,88,316	0.30
Total		6,36,10,481	100

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

REGISTRAR AND TRANSFER AGENT

KFin Technologies Private Limited

Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500032
Phone: +91 40 6716 1604

DEBENTURE TRUSTEE

Catalyst Trusteeship Limited

(Erstwhile GDA Trusteeship Limited)

Windsor, 6th Floor,

Office No. 604, C.S.T. Road, Kalina, Santacruz (East),

Mumbai - 400098 Phone : 022-49220525

www.catalysttrustee.com

DEMATERIALIZATION

The shares of the Company are dematerialized through KFin Technologies Private Limited (Registrar and Share Transfer Agent).

REGISTERED OFFICE AND CORPORATE OFFICE

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

sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103, Karnataka

Annexure-III

Secretarial Audit Report

For the Financial Year ended on 31st March, 2021

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

Tushar Ramesh Shridharani

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

Tel. : (022) 2208 5764 / 2208 5765

Email : tushar@tusharshri.com Web : www.tusharshri.com

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

To,
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 March, 2021 ("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 March, 2021 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 (Depositories and Participants) Regulations, 2018;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable to the Foreign Direct Investment;
- (iv) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (v) 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. as mentioned above.

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, to the extent applicable, on test check basis, the Company has complied with the following regulations/laws applicable specifically to the Company.

- (i) The Banking Regulation Act, 1949;
- (ii) RBI Guidelines / Directions applicable to Small Finance Banks.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive, Non- Executive and Independent 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 Ramesh Shridharani
Practicing Company Secretary
FCS: 2690 / COP: 2190
UDIN – F002690C000757466

Place: Mumbai
Date: 9th August, 2021

*Note: This report is to be read with my letter of even date which is annexed herein next as **Annexure A** and forms an integral part of this report.*

Annexure A

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

This letter is an integral part of the Secretarial Audit Report of even date for F.Y. 2020-21 submitted to the Fincare Small Finance Bank Limited ("the Company") in pursuance of provisions of section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Members of the Company are informed as follow.

- Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on audit.
- I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts as reflected in secretarial records. I believe that the processes and practices that I followed; provide a reasonable basis for my opinion.
- I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- Wherever required, I have obtained the management representation about compliance of laws, rules and regulations and happening of events etc.
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
- The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Tushar Ramesh Shridharani
Practicing Company Secretary
FCS: 2690 / COP: 2190
UDIN – F002690C000757466

Place: Mumbai
Date: 9th August, 2021

Annexure-IV

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) FOR FY-21

[Pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended.]

BRIEF OUTLINE ON CSR POLICY OF THE BANK

Fincare Small Finance Bank Limited (hereinafter referred to as the 'Bank') in particular and also the sector at large, has a meaningful social impact due to the sheer nature of the business viz. small ticket credit and also due to the client segment it addresses viz. low income households in rural and semi-urban India. By adopting CSR as a separate pillar of our core operations, the Bank aims to build greater relevance to its credo of 'a commercially successful business with a strong Social DNA'.

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR roadmap. The Policy also sets out the principles and the rules that need to be adhered while evaluating and implementing CSR activities 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 of the Bank is framed in line with the Guidelines on Corporate Social Responsibility for Private and Public enterprises.

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.

CSR THRUST AREAS

The Bank has identified the key themes for CSR Projects/programs/activities across its geographies.

The actual distribution of the expenditure among these focus areas shall depend upon the needs as may be determined by the studies or discussions with borrowers/ community/local government/Gram panchayat/NGOs. The Bank shall give preference to the local area(s) around which the Bank operates for CSR spending.

The key CSR program themes are as follows:

- Health & Hygiene
- Livelihood Promotion & Financial Literacy
- Environment Protection & Community Welfare
- Any other activities that the CSR Committee of the Company may define from time to time, based on inputs received from stakeholders.

Activities that find favour with the CSR theme of the bank are generally centered around women empowerment, scholarship for deserving students from low income households, setting up/funding tuition centers in order to promote back-to-school initiative, providing relief in case of natural calamities etc.

1. Composition of CSR Committee as on 31st March 2021:

S. No	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Alok Prasad, Chairperson	Independent Director	3	3
2	Mr. Sameer Nanavati	Nominee Director	3	3
3	Mr. Varun Sabhlok	Independent Director	3	3
4	Mr. Ravindran Lakshmanan [§]	Nominee Director	3	2
5	Ms. Anisha Motwani [*]	Independent Director	1	1
6	Ms. Susan Thomas [#]	Independent Director	2	1

[§]Mr. Ravindran Lakshmanan ceased to be director w.e.f. 5th October, 2021 owing to withdrawal of his nomination as nominee Director by Fincare Business Services Limited.

^{*} Ms. Anisha Motwani was appointed as member of the Committee effective 7th December, 2020 and ceased to be a member of the Committee due to her resignation as an Independent Director effective 15th April, 2021.

[#]Ms. Susan Thomas ceased to be a member of the Committee due to her resignation as an Independent Director effective 7th December, 2020.

The Corporate Social Responsibility Committee was reconstituted on 21st June, 2021 i.e. after the conclusion of FY21, with following members:

1. Ms. Aarthi Sivanandh, Chairperson of the Committee and Independent Director
2. Mr. Ravindran Lakshmanan, Nominee Director
3. Mr. Sameer Nanavati, Nominee Director
4. Mr. Varun Sabhlok, Independent Director

2. Web links where composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

- The composition of the CSR committee is available on our website, at <https://www.fincarebank.com/sites/default/files/2021-08/Committee-Structure.pdf>
- The Committee, with the approval of the Board, has adopted the CSR Policy as required under Section 135 of the Companies Act, 2013. The CSR Policy of the Company is available on our website, at <https://www.fincarebank.com/sites/default/files/2020-03/Corporate-Governance-Policy-V-2.1-22-01-2020.pdf>
- The Company has also adopted the CSR committee charter, which is available on our website, at <https://www.fincarebank.com/sites/default/files/2021-08/CSR-Charter-2.0.pdf>
- The Board at its meeting held on 12th July, 2021, based on the recommendation of the CSR committee, approved the annual action plan / projects for FY-22, the details of which are available on our website, at <https://www.fincarebank.com/CSR.html>.

3. Details of impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: NA

4. Details of the amount available for set-off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set-off for the financial year, If any: In FY 2017-18 and 2019-20, the Bank has spent ₹ 10,866/- and ₹ 12,42,537/- in excess of mandatory requirement under Companies Act, 2013 but the same is not proposed to be set off.

5. Average net profit of the company as per section 135(5): ₹ 74,39,38,879/-

6. a. Two percent of average net profit of the Company as per Section 135(5): ₹ 1,48,78,778/-

b. Surplus arising out of the CSR projects or programs or activities of the previous financial years: 0

c. Amount required to be set-off for the financial year, if any: 0

d. Total CSR obligation for the financial year (7a+7b-7c): ₹ 1,48,78,778/-

7. a. CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the fund	Amount	Date of transfer
1,48,78,940	Not Applicable				

b. Details of CSR amount spent against ongoing projects for the financial year: NA

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration.	Amount allocated for the project (in ₹).	Amount spent in the current financial Year (in ₹).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number.
Not Applicable												

c. Details of CSR amount spent against other than ongoing projects for the financial year:

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
1	Health Check Up Camp.	Promoting Preventive Healthcare	NO	AP	Chittoor	84,000	No	SEVAMOB	CSR00001153
2	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Bagalkot	23,000	No	SEVAMOB	CSR00001153
3	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Bangalore	69,000	No	SEVAMOB	CSR00001153
4	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Belgaum	1,15,000	No	SEVAMOB	CSR00001153
5	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Bellary	46,000	No	SEVAMOB	CSR00001153
6	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Bidhar	46,000	No	SEVAMOB	CSR00001153
7	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Bijapur	34,500	No	SEVAMOB	CSR00001153
8	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Chamarajanagar	69,000	No	SEVAMOB	CSR00001153
9	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Chikkaballapur	46,000	No	SEVAMOB	CSR00001153
10	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Chikkamagaluru	23,000	No	SEVAMOB	CSR00001153
11	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Chitradurga	23,000	No	SEVAMOB	CSR00001153
12	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Davangere	69,000	No	SEVAMOB	CSR00001153
13	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Dharward	57,500	No	SEVAMOB	CSR00001153
14	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Gulbarga	23,000	No	SEVAMOB	CSR00001153
15	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Hassan	1,26,500	No	SEVAMOB	CSR00001153
16	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Haveri	69,000	No	SEVAMOB	CSR00001153
17	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Kolar	1,15,000	No	SEVAMOB	CSR00001153
18	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Koppal	34,500	No	SEVAMOB	CSR00001153
19	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Mandya	57,500	No	SEVAMOB	CSR00001153
20	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Mysore	80,500	No	SEVAMOB	CSR00001153

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
21	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Raichur	34,500	No	SEVAMOB	CSR00001153
22	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Ramanagar	23,000	No	SEVAMOB	CSR00001153
23	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Shimoga	46,000	No	SEVAMOB	CSR00001153
24	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Tumkur	1,15,000	No	SEVAMOB	CSR00001153
25	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Uttara Kannada	23,000	No	SEVAMOB	CSR00001153
26	Health Check Up Camp.	Promoting Preventive Healthcare	NO	KA	Yadgiri	11,500	No	SEVAMOB	CSR00001153
27	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Anuppur	23,000	No	SEVAMOB	CSR00001153
28	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Betul	1,03,500	No	SEVAMOB	CSR00001153
29	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Chhindwara	1,03,500	No	SEVAMOB	CSR00001153
30	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Dhar	23,000	No	SEVAMOB	CSR00001153
31	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Dindori	46,000	No	SEVAMOB	CSR00001153
32	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Hoshangabad	58,000	No	SEVAMOB	CSR00001153
33	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Indore	46,000	No	SEVAMOB	CSR00001153
34	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Jabalpur	57,500	No	SEVAMOB	CSR00001153
35	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Jhabua	69,000	No	SEVAMOB	CSR00001153
36	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Katni	80,500	No	SEVAMOB	CSR00001153
37	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Mandla	23,000	No	SEVAMOB	CSR00001153
38	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Mandsaur	92,000	No	SEVAMOB	CSR00001153
39	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Narshingpur	1,38,000	No	SEVAMOB	CSR00001153
40	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Neemuch	1,49,500	No	SEVAMOB	CSR00001153
41	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Raisen	1,03,500	No	SEVAMOB	CSR00001153

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
42	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Ratlam	1,61,000	No	SEVAMOB	CSR00001153
43	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Rewa	23,000	No	SEVAMOB	CSR00001153
44	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Sagar	2,41,500	No	SEVAMOB	CSR00001153
45	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Satna	23,000	No	SEVAMOB	CSR00001153
46	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Seoni	23,000	No	SEVAMOB	CSR00001153
47	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Shahdol	34,500	No	SEVAMOB	CSR00001153
48	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Ujjain	46,500	No	SEVAMOB	CSR00001153
49	Health Check Up Camp.	Promoting Preventive Healthcare	NO	MP	Vidisha	1,15,000	No	SEVAMOB	CSR00001153
50	Health Check Up Camp.	Promoting Preventive Healthcare	NO	RJ	Banswara	47,000	No	SEVAMOB	CSR00001153
51	Health Check Up Camp.	Promoting Preventive Healthcare	NO	RJ	Pratapgarh	12,000	No	SEVAMOB	CSR00001153
52	EYE Camp	Promoting Preventive Healthcare	NO	KA	Chikkaballapur	9,495	YES	NA	
53	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	AP	Chittoor	5,000	YES	NA	
54	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	AP	East Godavari	5,000	YES	NA	
55	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	AP	Guntur	5,000	YES	NA	
56	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	AP	Kadapa	5,000	YES	NA	
57	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	AP	Krishna	16,000	YES	NA	
58	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Ahmedabad	17,000	YES	NA	
59	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Anand	15,851	YES	NA	
60	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Aravalli	20,000	YES	NA	
61	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Bharuch	38,000	YES	NA	
62	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Borsad	5,000	YES	NA	

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
63	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Chhotaudepur	5,000	YES	NA	
64	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Dahod	48,000	YES	NA	
65	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Kheda	17,000	YES	NA	
66	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Mahisagar	47,000	YES	NA	
67	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Mehsana	2,500	YES	NA	
68	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Narmada	30,000	YES	NA	
69	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Navsari	12,000	YES	NA	
70	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Panchmahal	20,000	YES	NA	
71	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Surat	21,050	YES	NA	
72	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Vadodara	7,500	YES	NA	
73	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	GJ	Valsad	25,000	YES	NA	
74	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Ballari	2,500	YES	NA	
75	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Ballari	4,000	YES	NA	
76	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Bangalore	9,600	YES	NA	
77	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Belagavi	3,790	YES	NA	
78	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Belgaum	2,00,065	YES	NA	
79	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Bidhar	2,000	YES	NA	
80	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Bijapur	3,660	YES	NA	
81	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Hassan	7,000	YES	NA	
82	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Kalaburgi	8,000	YES	NA	
83	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Kolar	18,265	YES	NA	

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
84	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Mandya	6,000	YES	NA	
85	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Mysore	5,250	YES	NA	
86	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	KA	Ramanagar	3,000	YES	NA	
87	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Amravati	6,950	YES	NA	
88	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Bhandara	4,995	YES	NA	
89	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Buldhana	10,000	YES	NA	
90	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Gondia	10,000	YES	NA	
91	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Jalgaon	4,900	YES	NA	
92	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Manewada	4,782	YES	NA	
93	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Mauda	5,000	YES	NA	
94	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Mumbai	49,343	YES	NA	
95	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Nagpur	48,990	YES	NA	
96	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Nashik	20,000	YES	NA	
97	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Pune	15,000	YES	NA	
98	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Samudrapur	5,000	YES	NA	
99	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Saoner	5,000	YES	NA	
100	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Thane	14,992	YES	NA	
101	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MH	Washim	5,000	YES	NA	
102	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Barwani	8,000	YES	NA	
103	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Betul	10,600	YES	NA	
104	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Bhopal	5,000	YES	NA	

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S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
105	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Chhindwara	8,000	YES	NA	
106	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Harda	4,000	YES	NA	
107	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Hoshangabad	4,000	YES	NA	
108	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Indore	5,000	YES	NA	
109	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Jabalpur	4,000	YES	NA	
110	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Katni	4,000	YES	NA	
111	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Narshingpur	4,000	YES	NA	
112	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Raisen	3,600	YES	NA	
113	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	MP	Seoni	4,000	YES	NA	
114	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	RJ	Jaipur	5,000	YES	NA	
115	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	RJ	Jodhpur	5,000	YES	NA	
116	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	RJ	Kota	5,000	YES	NA	
117	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	RJ	Trevani	5,000	YES	NA	
118	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	RJ	Udaipur	5,000	YES	NA	
119	COVID-19 Safty Kit Distribution	Promoting Preventive Healthcare	NO	TN	Tiruvannamalai	31,500	YES	NA	
120	Financial Literacy Program	Promoting Education	NO	AP	Chittoor	12,000	YES	NA	
121	Financial Literacy Program	Promoting Education	NO	GJ	Aravalli	4,700	YES	NA	
122	Financial Literacy Program	Promoting Education	NO	GJ	Chhotaudepur	1,000	YES	NA	
123	Financial Literacy Program	Promoting Education	NO	GJ	Dahod	700	YES	NA	

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S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
124	Financial Literacy Program	Promoting Education	NO	GJ	Mahisagar	500	YES	NA	
125	Financial Literacy Program	Promoting Education	NO	GJ	Panchmahal	2,250	YES	NA	
126	Financial Literacy Program	Promoting Education	NO	GJ	Surat	500	YES	NA	
127	Financial Literacy Program	Promoting Education	NO	KA	Ballari	9,550	YES	NA	
128	Financial Literacy Program	Promoting Education	NO	KA	Belagavi	4,000	YES	NA	
129	Financial Literacy Program	Promoting Education	NO	KA	Bellary	4,000	YES	NA	
130	Financial Literacy Program	Promoting Education	NO	KA	Hassan	16,270	YES	NA	
131	Financial Literacy Program	Promoting Education	NO	KA	Koalar	16,500	YES	NA	
132	Financial Literacy Program	Promoting Education	NO	KA	Kolar	28,500	YES	NA	
133	Financial Literacy Program	Promoting Education	NO	TN	Dindigul	6,000	YES	NA	
134	Financial Literacy Program	Promoting Education	NO	TN	Kanniyakumari	5,875	YES	NA	
135	Financial Literacy Program	Promoting Education	NO	TN	Pudukottai	11,900	YES	NA	
136	Financial Literacy Program	Promoting Education	NO	TN	Thiruvarur	11,600	YES	NA	
137	Financial Literacy Program	Promoting Education	NO	TN	Tirunelveli	5810	YES	NA	

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				State	District			Name	CSR Registration number.
138	Financial Literacy Program	Promoting Education	NO	TN	Tiruvallur	4,450	YES	NA	
139	Financial Literacy Program	Promoting Education	NO	TN	Tiruvannamalai	5,750	YES	NA	
140	Skilling Workshop on Beauty Care.	Promoting Education	NO	MH	Kolhapur	1,99,163	YES	NA	
141	Grocery Kit Distribution Program	Eradicating Hunger	NO	AP	Chittoor	1,40,400	YES	NA	
142	Grocery Kit Distribution Program	Eradicating Hunger	NO	AP	Kanchipuram	72,000	YES	NA	
143	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Ahmedabad	1,00,340	YES	NA	
144	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Anand	1,53,826	YES	NA	
145	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Aravalli	28,190	YES	NA	
146	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Banaskantha	96,190	YES	NA	
147	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Bharuch	64,365	YES	NA	
148	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Botad	10,000	YES	NA	
149	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Chhotaudepur	32,000	YES	NA	
150	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Dahod	2,37,180	YES	NA	
151	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Gandhinagar	32,010	YES	NA	

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				State	District			Name	CSR Registration number.
152	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Kheda	78,450	YES	NA	
153	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Mahesana	43,340	YES	NA	
154	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Mahisagar	1,14,060	YES	NA	
155	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Mehsana	1,11,490	YES	NA	
156	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Narmada	2,17,730	YES	NA	
157	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Panchmahal	2,47,410	YES	NA	
158	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Sabarkantha	35,000	YES	NA	
159	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Surat	39,180	YES	NA	
160	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Surendranagar	21,000	YES	NA	
161	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Vadodara	89,250	YES	NA	
162	Grocery Kit Distribution Program	Eradicating Hunger	NO	GJ	Wardha	10,000	YES	NA	
163	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Bangalore	62,750	YES	NA	
164	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Chikkaballapur	3,250	YES	NA	
165	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Dharward	10,000	YES	NA	

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
166	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Hassan	55,000	YES	NA	
167	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Kolar	92,989	YES	NA	
168	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Mandya	15,000	YES	NA	
169	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Mysore	10,500	YES	NA	
170	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Shivamoga	25,000	YES	NA	
171	Grocery Kit Distribution Program	Eradicating Hunger	NO	KA	Tumukur	58,250	YES	NA	
172	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Ahemadnagar	2,00,000	YES	NA	
173	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Akola	40,000	YES	NA	
174	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Amravati	53,491	YES	NA	
175	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Bhandara	30,000	YES	NA	
176	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Buldhana	40,000	YES	NA	
177	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Gondia	17,000	YES	NA	
178	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Hingna	10,000	YES	NA	
179	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Jalgaon	1,14,000	YES	NA	

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S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
180	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Karanja	10,000	YES	NA	
181	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Khamgaon	10,000	YES	NA	
182	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Lakhandur	10,000	YES	NA	
183	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Nagpur	4,00,070	YES	NA	
184	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Nashik	30,000	YES	NA	
185	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Pune	20,000	YES	NA	
186	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Pusad	10,000	YES	NA	
187	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Sangali	37,678	YES	NA	
188	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Sangli	49,240	YES	NA	
189	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Satara	30,000	YES	NA	
190	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Sindhudurg	9,400	YES	NA	
191	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Solapur	20,000	YES	NA	
192	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Veloshi	10,000	YES	NA	
193	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Wardha	10,000	YES	NA	

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				State	District			Name	CSR Registration number.
194	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Washim	19,938	YES	NA	
195	Grocery Kit Distribution Program	Eradicating Hunger	NO	MH	Yavatmal	69,756	YES	NA	
196	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Bareilly	22,700	YES	NA	
197	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Barwani	1,15,300	YES	NA	
198	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Betul	78,220	YES	NA	
199	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Chhindwara	45,250	YES	NA	
200	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Chhindwara	16,200	YES	NA	
201	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Dewas	1,19,200	YES	NA	
202	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Dhar	45,000	YES	NA	
203	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Dindori	10,000	YES	NA	
204	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Ganjbasoda	21,450	YES	NA	
205	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Ghoradongri	12,550	YES	NA	
206	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Harda	1,52,145	YES	NA	
207	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Indore	1,10,700	YES	NA	

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S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
208	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Jabalpur	46,800	YES	NA	
209	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Jhabua	1,26,400	YES	NA	
210	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Katni	17,700	YES	NA	
211	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Khandwa	1,03,400	YES	NA	
212	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Khargosan	16,200	YES	NA	
213	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Madla	10,000	YES	NA	
214	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Mandsaur	62,000	YES	NA	
215	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Multai	8,000	YES	NA	
216	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Neemuch	88,200	YES	NA	
217	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Ratlam	6,27,150	YES	NA	
218	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Sailana	20,000	YES	NA	
219	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Sendhwa	50,500	YES	NA	
220	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Seoni	23,800	YES	NA	
221	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Shahdol	9,600	YES	NA	

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S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
222	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Shivgarh	10,000	YES	NA	
223	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Ujjain	9,415	YES	NA	
224	Grocery Kit Distribution Program	Eradicating Hunger	NO	MP	Vidisha	51,700	YES	NA	
225	Grocery Kit Distribution Program	Eradicating Hunger	NO	RJ	Banswara	9,23,562	YES	NA	
226	Grocery Kit Distribution Program	Eradicating Hunger	NO	RJ	Dungarpur	49,200	YES	NA	
227	Grocery Kit Distribution Program	Eradicating Hunger	NO	RJ	Gogunda	32,100	YES	NA	
228	Grocery Kit Distribution Program	Eradicating Hunger	NO	RJ	Pratapgarh	1,77,670	YES	NA	
229	Grocery Kit Distribution Program	Eradicating Hunger	NO	RJ	Udaypur	88,100	YES	NA	
230	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Chengalpattu	29,000	YES	NA	
231	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Cuddalore	11,36,700	YES	NA	
232	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Dindigul	2,92,150	YES	NA	
233	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Kallakuruchi	58,300	YES	NA	
234	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Kanchipuram	71,830	YES	NA	
235	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Madurai	95,250	YES	NA	

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
236	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Madurai	46,800	YES	NA	
237	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Mayiladuthurai	72000	YES	NA	
238	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Perambalur	22,000	YES	NA	
239	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Pudukottai	1,29,000	YES	NA	
240	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Ranipet	1,39,800	YES	NA	
241	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Sivagangai	21,000	YES	NA	
242	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Sivakasi	91,000	YES	NA	
243	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tenkasi	21,000	YES	NA	
244	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Thajavur	27,000	YES	NA	
245	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Thanjavur	1,62,259	YES	NA	
246	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Thiruvarur	30,000	YES	NA	
247	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Thoothukudi	33,200	YES	NA	
248	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tiraputhur	98,200	YES	NA	
249	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tiruchirapalli	17,000	YES	NA	

Table Contd. to next page

S. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number.
250	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tirunelveli	57,500	YES	NA	
251	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tirupattur	40,600	YES	NA	
252	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tirupur	16,000	YES	NA	
253	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tiruvannamalai	2,37,720	YES	NA	
254	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tiruvannamalai	20,000	YES	NA	
255	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Tiruvarur	65,300	YES	NA	
256	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Trichy	1,23,450	YES	NA	
257	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Villupuram	1,89,050	YES	NA	
258	Grocery Kit Distribution Program	Eradicating Hunger	NO	TN	Virudhunagar	39,800	YES	NA	
259	Plantation	Environmental Sustainability	NO	KA	Kalaburgi	1,400	YES	NA	

d. Amount spent in Administrative Overheads - 0

e. Amount spent on Impact Assessment, if applicable - NA

f. Total amount spent for the Financial Year (8b+8c+8d+8e) – ₹ 1,48,78,940/-

g. Excess amount for set off, if any

S. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per Section 135(5)	1,48,78,778
(ii)	Total amount spent for the Financial Year	1,48,78,940
(iii)	Excess amount spent for the financial year [(ii)-(i)]	162
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	0
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	162

8. (a) Details of Unspent CSR amount for the preceding three financial years: NA

S. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹).	Date of transfer.	
Not Applicable							

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): NA

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹).	Amount spent on the project in the reporting Financial Year (in ₹).	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project Completed / Ongoing.
Not Applicable								

9. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:

(asset-wise details).

a. Date of creation or acquisition of the capital asset(s). - NA

b. Amount of CSR spent for creation or acquisition of capital asset.- NA

c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - NA

d. Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). - NA

10. Specify the reason(s), if the company has failed to spend two percent of the average net profit as per Section 135(5): - NA

FOR FINCARE SMALL FINANCE BANK LIMITED

sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No. 4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011, Maharashtra

Date: 13.10.2021

Place: Mumbai

sd/-

Ms. Aarthi Sivanandh

Chairperson of CSR Committee & Independent Director

DIN: 00140141

Add: Flat No 3B, Door No 209/12, Pooja Poora Apartments, 209 St Marys Road, Alwarpet, Chennai 600 018, Tamil Nadu.

Date: 13.10.2021

Place: Chennai

sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103 Karnataka

Date: 13.10.2021

Place: Mumbai

Annexure-V

MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMY

Despite a hard-hitting 2nd wave of Covid-related infections, India is set to record the highest GDP growth amongst all major economies, albeit on a low base. The consumption scale seems to be normalising, fuelled by festive-season demand. Full revival of contact-intensive sectors may be delayed, particularly in the event of a third wave of the pandemic.

Although India's GDP contracted 7.3% in FY21 against a 4% growth in FY20, India witnessed a rapid V-shaped resurgence. After a contraction for the first half of FY21, India recovered smartly and emerged as one of the few economies that witnessed positive year-on-year growth in the three-month period of October-December 2020. This growth further strengthened to 1.6% in the fourth quarter of FY21. The improvement was predominantly due to calibrated and steady opening of the economy.

The Reserve Bank of India (RBI), as well as central and state governments provided much needed support to the economy during the crisis. The RBI softened the monetary policies by cutting the repo rate and also maintained liquidity surplus through various monetary measures. It also cushioned the impact on borrowers through various policy initiatives including a 6month moratorium on loan servicing for those who required this support due to the lockdowns imposed in the first half of FY21.

The external sector exhibited resilience as current account turned surplus for the first time since 2004, due to weaker domestic demand, falling oil prices and the strength of India's services exports. FDI and equity FII flows were strong, driving India's forex reserves to an all-time high of ~US\$580 billion by the end of FY21, against ~US\$ 475 billion by the end of FY20.

As the pandemic recedes, India may well get on the path of a swift recovery, with quarter-on-quarter growth and improvement in various macroeconomic indicators. This economic recovery is likely to be bolstered by the pick-up in the mass vaccination campaign, with expectations of a rapid turnaround in the services sector and opportunities for strong growth in consumption and investment.

INDIAN BANKING SECTOR

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks and 96,000 rural cooperative banks, in addition to cooperative credit institutions.

India's banking sector has undergone a paradigm shift in the recent times. It has evolved in terms of asset quality, technology, and regulations. It has made a shift from physical mode to the digital mode through adoption of technology. Digital platforms, mobile and net banking, payment channels, have played a major role in the ongoing digital revolution of banking. The digital revolution has played an important role in shaping the growth trajectory of the banking sector in India and helped significantly in leveraging and enhancing resource productivity.

Banking in 2020-21: FY-21 was a mixed baggage for the Indian banking industry. While credit growth remained subdued, deposits continued to grow and Non-Performing Assets (NPAs) for the sector declined.

As per the data released by the Reserve Bank of India (RBI), bank credit grew 5.56% to ₹ 109.51 Lakhs Crore, while deposits rose 11.4% to ₹ 151.13 Lakhs Crore as on March 31, 2021.

Credit & Deposit growth trends (in %)

Banking Group	Indicator	Q1/FY21	Q2/FY21	Q3/FY21	Q4/FY21
Public Sector Banks	Aggregate Deposits	10.8	10.3	9.5	10.4
	Bank Credit	5.7	5.7	6.5	3.6
Foreign Banks	Aggregate Deposits	17.5	21.2	15.4	10.3
	Bank Credit	2.9	(7.1)	(5.7)	(3.3)
Private Sector Banks	Aggregate Deposits	11.2	10.6	13.7	16.6
	Bank Credit	7.2	6.9	6.7	9.1
Small Finance Banks	Aggregate Deposits	59.8	41.3	33.5	40.3
	Bank Credit	42.4	18.8	15.3	19.7
Commercial Banking (incl. RRBs)	Aggregate Deposits	11.2	10.6	13.7	16.6
	Bank Credit	7.2	6.9	6.7	9.1
	Credit-Deposit Ratio	73.1	72.0	72.5	71.5

(Source: RBI)

As per The Reserve Bank of India, lending to industry, services, and retail segment moderated in FY21. The agriculture and allied segment were the only bright spot with growth rising to 12.1 per cent in FY21 from 4.1 per cent in FY20. Credit growth remained particularly tepid in the first half, but it gathered steam from October in tandem with the sharp economic recovery.

Banks of all categories and sizes (both in the private and public sector) focused on enhancing liquidity buffer and quite a few of them raised capital and made accelerated provisions during the year to preserve the strength of the Balance Sheet.

Though the interest rates of banks have reduced by 107 basis points from February 2020 to February 2021, the overall credit growth continued to moderate due to risk aversion and continued parking of excess liquidity with the RBI.

SMALL FINANCE BANK

The idea behind SFBs can be traced back to 2013 when an internal group of the RBI committee recommended that much like microfinance institutions (MFIs), banks should begin viewing the poor as profitable customers.

Based on its observations, the panel proposed the establishment of a set of new private, well-governed and deposit-taking SFBs.

According to the RBI, which carved out a new category called a 'small bank' in India's financial universe just half a decade ago, small finance banks need to list on the public stock exchange within three years of attaining a net worth of ₹ 500 Crore. And since past 5 years, the loan book of SFBs has swiftly grown, accounting for ~ 10% of total small loan accounts.

Covid management through SFBs: To assist low-income groups due to the second wave of the pandemic, the RBI has decided to provide ₹ 10,000 Crore for three years at the repo rate to SFBs to lend to individuals, small and medium enterprises (SMEs), etc. The RBI has also incentivised SFBs to lend to microfinance institutions (MFIs) by granting priority sector lending status to such exposure.

FINCARE SFB – 4TH YEAR AS A BANK

FY21 has been an eventful year for the Bank.

The health emergency put Banks under the spotlight, positioning them as the critical supply line for financial resources. Fincare Small Finance Bank adopted the digital route as a business mandate well before the pandemic which facilitated in reaching out to the masses in time of need.

The Bank's total assets grew to ₹ [7966.22] Crore during the year under review. The Bank expanded geographical reach across [19] states and Union Territories through a network of [809] banking outlets.

The Bank's net NPAs stood at [2.55] % (including IBPC) in FY21,

showcasing the effectiveness of the Bank's robust 'rural' focussed model, strength of client outreach and relationship practices as well as data and analytics driven collection policies. The Bank remained well-capitalised through the year under consideration with CRAR maintained well above the regulatory requirement of 15% for Small Finance Banks. The Bank's net worth, as on March 31, 2021, was Rs. [1017.90] Crore with a CRAR of [29.56] %.

The Bank continued its focus on financial literacy and enablement, encouraging its microloan borrowers to open savings accounts with debit card facility. A strong believer of leveraging people power, Fincare prepared its 8,000+ strong workforce to deliver outcomes in a well-directed manner, investing in their safety, well-being, job security, on-the-job learning, clear communication, and such HR best practices – all of this contributed to getting Fincare Small Finance Bank Certified as a Great Place to Work by the GPTW Institute.

KEY HIGHLIGHTS OF FY21:

- Introduced a Video KYC (VKYC) option for account opening - this enables the customer to open a completely digital Full KYC account.
- Updated WhatsApp Banking – migrated from a Menu-driven interface to Natural Language Processing based Multi-lingual and conversational BOT
- Introduced tab-based gold loan application – this enables processing of gold loans, disbursement, collections, renewals & closures, all on the tab
- Introduced Virtual debit cards – this enables customers to use a debit card seamlessly in a contact-less manner

GOVERNANCE

The Bank's Bank's Corporate Governance Philosophy is based on "Total commitment to ethical practices in the conduct of business." At the heart of the Corporate Governance framework is the Board of Directors, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank.

The philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing confidence of investors and other stakeholders. The Bank strongly believes in ethical conduct and self-discipline at all times, to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency and accountability in all its dealings.

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 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 Banks/ Companies in India.

INFORMATION TECHNOLOGY

The Bank has prudently leveraged technology to balance its 'touch & tech' strategy where the high touch enables it to nurture customer relationship and the right tech allows it to delight customers with accurate and efficient services.

Prudent technology solutions, built around customer segments, have allowed the Bank to emerge as 'digital-first' frontrunner in the SFB space.

During the year, the Bank successfully implemented business critical initiatives. It strengthened its Core Banking System with numerous additional features to meet the business and regulatory requirements well on time, including EMI Moratorium functionality, Positive Pay and RTGS 24*7.

From a customer experience perspective, the Bank further strengthened its Fraud Risk Management System with more business / risk management rules to minimise online frauds. This has helped in alerting customers well in time and minimising fraudulent online transactions. It also implemented AEPS (Aadhaar-enabled Payment Services) to speed track financial inclusion and serve the underbanked sections of the society.

Additionally, the Bank significantly revamped its Customer Relationship and Phone Banking systems with additional features. More than 50% of the customer queries are addressed through phone banking system; the new features have resulted in 20% improvement in speed of response to customer queries, increasing customer satisfaction.

The Bank manages the data residing in its CBS and surround systems through a highly secure, Tier-IV data center in Mumbai with a real-time Disaster Recovery (DR) unit in Hyderabad. The homegrown applications of the Bank have also been migrated to the Tier-IV data center at Amaravati (Andhra Pradesh) with the disaster recovery (DR) unit at Kochi.

MARKETING

Fincare Small Finance Bank's 'Wish More, Get More' campaign positions the Bank as a highly creative and contemporary brand that not only offers more to customers, but also demonstrates its own unwavering passion for doing more in terms of its products, processes, tech with the objective of enhancing the customer experience.

During the pandemic, the Bank conducted numerous awareness sessions for its customers in using digital platforms and gaining confidence to use these channels effectively. Despite the challenging circumstances, the Bank went ahead and expanded

its footprint in cities like Mumbai, Gandhinagar and Bangalore.

As a first-time initiative, the Bank extended its branding initiatives to airports in major cities to create awareness among the well-heeled customer segments. The Bank covered three high-footfall airports, namely, Mumbai, Ahmedabad, and Delhi. This helped the Bank in gaining considerable visibility during the window which was evident from the increase in the number of enquiries received in the period.

PEOPLE POWER

People power was under spotlight once again in FY21 during the global health crisis. From the start of the pandemic, the Bank left no stone unturned in order to ensure safety and well being of its people. The Bank introduced a special Covid-care benefit package. Among other things, the bank paid all salaries on time, ensured zero job losses due to covid, paid leave for infected staff, besides an array of allowances as a confidence-building measure. These steps helped build motivation and morale among the staff to a large extent.

The bank also leveraged the Microsoft Kaizala platform to facilitate employee engagement during work-from-remote times – an engagement group called Chalo Kuch Karona was created, a 'Junior Talent scope' to engage the children of staff was launched.

The Bank also ensured that learning did not stop during this phase and moved all training to online mode, using Blue jeans and Kaizala. The bank focussed on holistic development and introduced e-learning courses for skill-building as well as behavioural and leadership aspects, through the 'Learn and Lead' series.

RISK & COMPLIANCE

Risk Risk Management is integral to the core philosophy and working of the Bank. Prediction and mitigation of risk attains a higher significance in case of a Bank, where trust of the people is the core capital.

The Board is entrusted with the ultimate responsibility for the Bank's risk management framework. It is responsible for approving enhancement in risk-taking abilities or risk appetite, risk tolerance and related strategies and policies. To ensure a sound system of risk management and internal controls, a dedicated Risk Management Committee of the Board (RMCB) has been set up. The Committee monitors the risk appetite, policies, procedures, strategies, and controls at the bank. It also reviews limits, portfolio composition and impaired credits for wholesale lending.

The Bank has an independent Compliance function as well, tasked to ensure adherence of banking operations to the guidelines laid down by the regulatory bodies, upkeep of the institution's reputation and resolution of regulatory risks.

The Bank's comprehensive compliance framework is aligned to the required rules and guidelines, allowing the Bank to operate seamlessly, in a tightly regulated environment. For the Bank, Compliance is the second line of defence. As such, the department keeps an oversight on, and carries out an unbiased review of the activities of the first line of defence.

The Compliance Function is responsible for all aspects of regulatory issues across the Bank. There are dedicated resources deployed to focus on areas like KYC and AML, besides reviewing, monitoring, and providing guidance on regulatory issues to the line functions. The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management, and Compliance Officers for managing its risks.

TREASURY FUNDING

The Treasury function focusses primarily on liquidity, interest rates and ALM. The Bank maintained optimum liquidity throughout the year and invested in liquid securities so as to have a fairly liquid portfolio, against which funding can be raised through Repo or secondary market transactions.

The Bank's ALM, under the guidelines of Asset Liability Committee (ALCO), is managed by investing and borrowing in appropriate buckets, efficiently managing liquidity gaps and interest rate sensitive gaps which are key areas for Structural Liquidity Statement (SLS) and interest-rate sensitivity (IRS) calculations. On the other hand, Management Investment Committee (MIC) and Management Borrowing Committee (MBC) are in place for providing guidance on effective investment strategies and borrowing decisions.

FOR FINCARE SMALL FINANCE BANK LIMITED

sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No. 4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011, Maharashtra

Date: 13.10.2021

Place: Mumbai

The Bank normally raised funds through refinance from SIDBI, NABARD and MUDRA, issuance of Certificate of Deposits (CD) and Interbank Participation certificates (IBPC). The bank further strengthened bank's liquidity options by developing interbank relationships with major private and PSU banks and creating contingency funding lines.

Further, the Bank commenced trading desk with an objective to generate income by anticipating interest rate movements, within a conservative risk management framework.

Also, during the Covid-19 induced lockdown phase, the Treasury unit successfully operated from two different BCP locations as well as home setup with adequate IT security & controls in place.

CAUTIONARY STATEMENT

Statements made in this MD&A describing the Bank's objectives, projections, estimates, general market trends, expectations etc., constitute 'forward looking statements' within the ambit of applicable laws and regulations. These 'forward looking statements' involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the 'forward looking statements'.

These risks and uncertainties include but are not limited to our ability to successfully implement our strategies, future levels of non-performing advances, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, investment income, cash flow projections, our exposure to market risks or other risks.

sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103 Karnataka

Date: 13.10.2021

Place: Mumbai

Annexure-VI

FORM AOC-2

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms' length transactions under third proviso thereto.

[Pursuant to clause (h) of sub-section (3) of Section of the Act and rule 8(2) of the Companies (Accounts) Rules 2014.]

1. Details of contracts or arrangements or transactions not at arm's length basis : NIL

(a)	Name(s) of the related party and nature of relationship.	-
(b)	Nature of contracts/arrangements/ transactions.	-
(c)	Duration of the contracts/ arrangements/ transactions.	-
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	-
(e)	Justification for entering into such contracts or arrangements or transactions.	-
(f)	Date(s) of approval by the Board.	-
(g)	Amount paid as advances, if any.	-
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188.	-

2. Details of material contracts or arrangement or transactions at arm's length basis

(a)	Name(s) of the related party and nature of relationship.	Actify Data Labs Private Limited
(b)	Nature of contracts/ arrangements/ transactions.	Service Level Agreement
(c)	Duration of the contracts/ arrangements/ transactions.	4 months (commenced on 15 th July, 2020 and ending on 14 th October, 2020)
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	Terms and conditions as per the Agreement executed with Actify Data Labs Private Limited and the value is ₹ 3,00,000 per month
(e)	Date(s) of approval by the Board.	15.07.2020
(f)	Amount paid as advances, if any.	NA

(a)	Name(s) of the related party and nature of relationship.	Actify Data Labs Private Limited
(b)	Nature of contracts/ arrangements/ transactions.	Service Level Agreement
(c)	Duration of the contracts/arrangements/ transactions.	Commenced on 15 th March, 2021 and ended on 30 th April, 2021
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	Terms and conditions as per the Agreement executed with Actify Data Labs Private Limited and the value is ₹ 4,00,000 for the tenure of the agreement.
(e)	Date(s) of approval by the Board.	25.02.2021
(f)	Amount paid as advances, if any.	NA

(a)	Name(s) of the related party and nature of relationship.	Actify Data Labs Private Limited
(b)	Nature of contracts/ arrangements/ transactions.	Service Level Agreement
(c)	Duration of the contracts/ arrangements/ transactions.	1+ year (commenced on 15 th March, 2021 and ended on 30 th May, 2022)
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	Terms and conditions as per the Agreement executed with Actify Data Labs Private Limited and the value is ₹ 7,00,000 per annum.
(e)	Date(s) of approval by the Board.	25.02.2021
(f)	Amount paid as advances, if any.	NA

(a)	Name(s) of the related party and nature of relationship.	Atria Convergence Technologies Limited
(b)	Nature of contracts/ arrangements/ transactions.	Service Level Agreement
(c)	Duration of the contracts/ arrangements/ transactions.	Perpetuity until terminated
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	Terms and conditions as per the Agreement executed with Atria Convergence Technologies Limited and the value is ₹ 1,82,900/- per quarter.
(e)	Date(s) of approval by the Board.	22.10.2020
(f)	Amount paid as advances, if any.	NA

(a)	Name(s) of the related party and nature of relationship.	Atria Convergence Technologies Limited
(b)	Nature of contracts/ arrangements/ transactions.	Service Level Agreement
(c)	Duration of the contracts/ arrangements/ transactions.	Perpetuity until terminated
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any.	Terms and conditions as per the Agreement executed with Atria Convergence Technologies Limited and the value is ₹ 1,06,200/- per quarter.
(e)	Date(s) of approval by the Board.	22.10.2020
(f)	Amount paid as advances, if any.	NA

FOR FINCARE SMALL FINANCE BANK LIMITED

sd/-

Mr. Pramod Kabra

Chairman and Non-Executive Director

DIN: 02252403

Add: 2101, Floor 21, Plot 30, Tower No. 4, Strata Planet Godrej, Keshavrao, Khadymarg, Saat Rasta, Jacob Circle, Mumbai - 400011, Maharashtra

Date: 13.10.2021

Place: Mumbai

sd/-

Mr. Rajeev Yadav

Managing Director and Chief Executive Officer

DIN: 00111379

Add: Villa 578, Phase 3, Adarsh Palm Retreat, Outer Ring Road, Devarabeesanahalli, Bellandur, Bangalore- 560103, Karnataka

Pillar III Disclosure – 31st March, 2021

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 July 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 and other free reserves. Tier-2 capital consists of sub-debts, general provisions and standard assets provisions. First loss credit enhancement in the form of cash collaterals, deferred tax asset and book debt collaterals reduced from Tier I and II capital as per RBI norms.

b) Equity Capital

As on 31st March, 2021, the Bank has authorized share capital of ₹ 30,000 Lakhs, comprising of 300,000,000 equity shares of ₹ 10 each and has subscribed and paid up capital of ₹ 6,361 Lakhs comprising of fully paid up 6,36,10,481 shares of ₹ 10 each.

c) Capital Funds:

The capital fund position for the year ended 31st March, 2021 and 31st March, 2020 are:

Particulars (₹ Lakhs)	As at 31 st March, 2021	As at 31 st March, 2020
Tier I Capital	94,049	84,858
Tier II Capital	17,557	21,033
Total Capital Fund (Tier I + Tier II)	1,11,606	1,05,891

DF-2- CAPITAL ADEQUACY

Fincare Small Finance Bank Limited (hereinafter to be referred as the Bank) is subject to RBI Master Circular on Basel III Capital Regulations issued on July 1st, 2015 and amendments thereto issued from time to time by RBI.

The revised framework consists of three pillars viz.

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

The Bank has adopted standardized approach for Credit Risk for computation of Capital Adequacy Ratio (CAR). As per RBI guidelines on SFBs, currently the Bank is not considering capital charge for Market Risk and Operational Risk.

Minimum Capital Requirement

As per the operating guidelines for Small Finance Bank, the Bank

is required to maintain minimum Capital Adequacy Ratio of 15% with minimum Tier I at 7.5%. As on 31st March, 2021, the Bank has a healthy Capital Adequacy Ratio of 29.56% which is well above the minimum capital adequacy requirement. The Tier 1 Capital Adequacy Ratio is 24.91% which is above the requirement of 7.5%.

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. Under ICAAP, the Bank determines whether it has adequate level of capital to meet regulatory norms, current and future business needs, including stress scenarios. The Bank's ICAAP evaluates and documents all risks and substantiates appropriate capital allocation for Pillar 2 risks.

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. The Bank considers both quantifiable and non-quantifiable risks while assessing capital requirements. The Bank evaluates the following risks 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
- Residual Risk of Securitisation

Monitoring and Reporting

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

Common Equity Tier I, Tier I and Total Capital Ratio

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Common Equity Tier 1 Capital Ratio	24.91%	23.46%
Tier I capital ratio	24.91%	23.46%
Tier II capital ratio	4.65%	5.82%
Total Capital Ratio (CRAR)	29.56%	29.28%

Pillar III Disclosure – 31st March, 2021

DF-3: CREDIT RISK: GENERAL DISCLOSURES

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 MD & CEO.

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 Bank's strong franchise and traditional client base in key geographies.

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 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 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, Two-wheeler loans, Affordable Housing Loans, Loan Against Property, Staff Loan and Personal Loan. The JLG Microfinance Loans has standard underwriting norms for serving the base of the pyramid segment of customers. Other products such as Loan against Gold, Two-wheeler, Affordable Housing Loans 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: 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 as per norms.

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 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 JLG portfolio. Additionally, detailed Credit Risk dashboard is published on monthly basis, which covers critical aspects such as product-wise asset quality and delinquencies in various buckets: 1+ days, 30+ days, 60+ days, NPA and write off. The Loan to Value (LTV) and collateral values are also closely monitored and initiated necessary action 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 Central Repository of Information on Large Credits (CRILC), are reviewed by credit risk department 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 collection in early delinquency buckets while effectively identifying and managing serious delinquency behaviour.

Pillar III Disclosure – 31st March, 2021

The Bank has well defined legal processes including initiating action under SARFAESI Act.

- 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.

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

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020 to all eligible borrowers. In line with the additional Regulatory Package guidelines dated 23rd May, 2020, the Bank granted additional three months moratorium on instalments or interest, as applicable, due between 1st June, 2020 and 31st August, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning norms). Further, the Bank enforced asset classification norms post judgement by Honourable Supreme Court. The RBI subsequently released a circular on 7th April, 2021 that provided instructions to all lending institutions to enforce asset classification of borrower accounts.

The Bank follows extant RBI guidelines for resolution of stressed assets, including classification and upgradation of restructured loans.

Quantitative Disclosures

Fund based and Non-Fund based Exposure as on 31st March, 2021

Exposure	Credit Exposure (₹ Lakhs)
Fund based Exposure*	6,59,161
Non-Fund based Exposure	0
Total Fund based and Non-Fund based Exposures	6,59,161

*Fund based exposure includes exposure on loans and advances, exposure on Non-SLR Investments and exposure to other banks.

Geographic Distribution of Exposures as on 31st March, 2021

Exposures (₹ Lakhs)	Domestic	Overseas	Total
Fund based Exposure	6,59,161	Nil	6,59,161
Non-Fund based Exposure	0	Nil	0
Total Fund and Non-Fund based Exposures	6,59,161	Nil	6,59,161

Residual Contractual Maturity breakup of Assets

Break up as on 31st March, 2021 (₹ Lakhs)

Time Buckets	Advances	Investments
Day 1	1,648	39,968
2 to 7 days	4,701	1,943
8 to 14 days	7,471	1,834
15 to 30 Days	14,939	3,338
31 days to 2 months	30,394	1,427
2 months to 3 months	32,362	1,598
Over 3 months & Up to 6 Month	88,980	7,800
Over 6 Month & Up to 1 Year	1,40,955	16,750
Over 1 year & Up to 3 years	1,56,083	46,555
Over 3 years & Up to 5 years	31,400	6,722
Over 5 years	21,179	1
Total	5,30,112	1,27,936

Pillar III Disclosure – 31st March, 2021

*Total Net Advances / NPA Ratios / NPA Movement

Particulars	As at 31 st March, 2021 (₹ Lakhs)
(i) Gross NPAs to Net Advances (%)	6.42%
(ii) Net NPAs to Net Advances (%)	2.80%
(iii) Movement of NPAs (Gross)	
(a) Opening balance	4,472
(b) Additions during the year	35,712
(c) Reductions during the year	4,825
(d) Closing balance	35,359
(iv) Movement of Net NPAs	
(a) Opening balance	1,975
(b) Additions during the year	15,012
(c) Reductions during the year	2,146
(d) Closing balance	14,841
(v) Movement of provisions for NPAs (excluding provision on standard assets and floating provision)	
(a) Opening balance	2,497
(b) Provision made during the year	21,108
(c) Write off/ write back of excess provision	3,087
(d) Closing balance	20,518

Write Off & Recoveries

Particulars	As at 31 st March, 2021 (₹ Lakhs)
Gross NPA's as on 1 st April of particular year (Opening Balance)	4,472
Additions (Fresh NPAs) during the year	35,712
Sub total (A)	40,184
Less :-	
(i) Upgradations	1,289
(ii) Recoveries (excluding recoveries made from upgraded accounts)	143
(iii) Technical / Prudential Write offs	3,393
(iv) Write offs other than those under (iii) above	0
Sub-total (B)	4,825
Gross NPAs as on 31st March of following year (closing balance) (A-B)	35,359
Opening balance of Technical / Prudential written off accounts as at 1 st April	17,814
Add : Technical / Prudential write offs during the year	3,393
Sub total (A)	21,207
Less : Recoveries made from previously technical / prudential written off accounts during the year (B)	170
Closing balance as at 31st March (A-B)	21,037

Note: Non-performing assets include only non-performing advances as on 31st March, 2021

DF-4: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

Quantitative Disclosures

Bank's exposure after risk mitigation subject to the standardized approach in the following four major risk buckets as well as those that are deducted:

Particulars	As at 31 st March, 2021 (₹ Lakhs)
At 0% risk weight	2,76,053
Below 100% risk weight	4,56,269
100% risk weight	63,425
More than 100% risk weight	875
Deducted (Intangible Assets, Deferred tax assets and first loss credit enhancement in the form of cash collaterals and book debt collaterals)	7,077

DF-5: CREDIT RISK MITIGATION FOR STANDARDISED APPROACH

Qualitative Disclosures:

Application of Credit Risk Mitigants

The Bank uses 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:

- Eligible financial collateral
- Guarantees
- On-balance sheet netting
- Application of Risk Weights

The Bank adheres to the RBI guidelines defined under the RBI Circular viz., Basel III Capital Regulation dated July 1st, 2015 for application of risk weights for credit risk measurement and capital computation purposes.

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

Particulars	As at 31 st March, 2021 (₹ Lakhs)
Loan Against Gold	35,227
Overdraft against Fixed Deposit	1,888

Pillar III Disclosure – 31st March, 2021

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 dated 7th May, 2012, 21st August, 2012 and 24th March, 2014 and any further circulars and guidelines 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
4. Provider of Cash Collateral and Book Debts/Guarantees to the extent to be agreed to between the contracting parties.

Accounting Policy on transfer and servicing of Assets

The accounting treatment of the securitisation transactions in the books of the Bank is as per the guidance note issued by the ICAI and as prescribed by the RBI guidelines.

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. 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:

Particulars	As at 31 st March, 2021 (₹ Lakhs)
a) No of SPVs sponsored by the bank for securitisation transactions (Nos.)	9
b) Total amount of securitised assets as per books of the SPVs sponsored by the bank	5,740
c) Securitised Losses booked during the year	-
d) Amount of assets intended to be securitised within a year	-
e) Of (d), amount of assets originated within a year before securitisation.	-
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	327
Others	-
Amount of exposures to securitisation transactions other than MRR	
a) Off-balance sheet exposures	-
(i) Exposures to own securitisation	
First loss	-
Others	-
(ii) Exposures to third party securitisation	

Table Contd. to next page

Pillar III Disclosure – 31st March, 2021

Particulars	As at 31 st March, 2021 (₹ Lakhs)
First loss	-
Others	-
b) On-balance sheet exposures	
(i) Exposures to own securitisation	
First loss	-
Others	-
(ii) Exposures to third party securitisation	
First loss	-
Others	-
g) Aggregate amount of securitisation exposures that are deducted entirely from Tier 1 capital	163

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 and investment activities 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 March, 2021. The same has been qualitatively assessed under Pillar 2 in ICAAP exercise.

DF-8: OPERATIONAL RISK

The operational risk arises 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 covered by separate policies and monitored by dedicated Information Security Committee.

The Operational Risk Management function is managed by Operational Risk Management Group (ORMG). ORMG reports to Chief Risk Officer. Operational Risk Management Committee is headed by MD & CEO and meets once in two months. ORMC reports into Risk Management Committee of the Board (RMCB).

Risk identification, assessment and mitigation: ORMG uses Risk and Control Self-Assessment (RCSA) tool and incident management activity to systematically identify various risks that the Bank is exposed to. The identified risks are assessed and monitored on periodic basis.

Small Finance Banks are currently exempt from providing 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 interest rates are de-regularized. Any mismatch in the cash flows or re-pricing dates, therefore, will have an impact 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 delegated 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 semi-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 risk as part of ICAAP exercise. Since the changes in MVE for prescribed shock levels were well within defined norms, no capital allocation was made towards the same.

Pillar III Disclosure – 31st March, 2021

Quantitative Disclosures:

Changes in EaR and MVE for 100 bps parallel shift in yield curve as on 31st March, 2021

(₹ Lakhs)	+ 100 bps parallel shift	-100 bps parallel shift
Market value of Equity-MVE	940	(940)
Earnings at Risk- EaR	1,658	(1,658)

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 is provided.

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.

Quantitative Disclosures

The Bank has nil exposure to equities during the year ended 31st March, 2021.

DF – 17: SUMMARY COMPARISON OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURE MEASURE

S. No.	Particulars	As at 31 st March, 2021 (₹ Lakhs)
1	Total consolidated assets as per published financial statements	7,96,622
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	-
7	Other adjustments	(7,077)
8	Leverage ratio exposure	7,89,544

DF – 18: LEVERAGE RATIO

S. No.	Particulars	As at 31 st March, 2021 (₹ Lakhs)
1	On-balance sheet items (excluding derivatives and SFTs but including collateral)	7,96,458
2	Balance sheet assets deducted from Tier 1 capital and not reckoned for exposure measure above	6,914
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1) and 2))	7,89,544
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	-

Pillar III Disclosure – 31st March, 2021

S. No.	Particulars	As at 31 st March, 2021 (₹ Lakhs)
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	-
18	(Adjustments for conversion to credit equivalent amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and total exposures		
20	Tier 1 capital	94,049
21	Total exposures (sum of lines 3, 11, 16 and 19)	7,89,544
	Leverage ratio	-
22	Basel III leverage ratio (%)	11.91%



Financial Statements



Independent Auditor's report

To
The Members of **FINCARE SMALL FINANCE BANK LIMITED ("THE BANK")**

Report on the Audit of the Financial Statements

OPINION

1. We have audited the accompanying financial statements of **Fincare Small Finance Bank Limited ('the Bank')**, which comprise the Balance Sheet as at **31st March, 2021**, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view, in conformity with the accounting principles generally accepted in India including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Bank as at 31st March, 2021, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the

Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

4. We draw attention to Schedule 17, Note 2.1 (ii) to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic. In view of these uncertainties, the impact of the pandemic on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time.

Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Information Technology system for the financial reporting process

Key audit matter

The Bank is highly dependent on its information technology (IT) systems for carrying on its operations which require large volume of transactions to be processed daily in numerous locations. Further, the Bank's accounting and financial reporting processes are dependent on the automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, provision on loans, deposits, interest expense on deposits, investments, income on investments amongst others. The controls implemented by the Bank in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.

How our audit addressed the key audit matter

We included specialized IT auditors as part of our audit team to perform audit procedures which included, but were not limited to the following:

- Obtained an understanding of the Bank's IT related control environment and conducted risk assessment and identified IT applications, networks, databases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period and tested those changes that had a significant impact on financial reporting;

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment across applications, networks, database and operating systems. Further, we also focused on key automated controls relevant for financial reporting.</p> <p>Accordingly, since our audit strategy included focus on key IT systems and automated controls due to pervasive impact on the financial statements; we have determined the same as a key audit matter for current year audit.</p>	<ul style="list-style-type: none"> • Tested the design and operating effectiveness of the Bank's IT controls over the IT applications as identified above; • Tested IT general controls particularly, logical access, changes management and aspects of IT operational controls. Tested that requests for access to systems were appropriately reviewed and authorized; tested controls around Bank's periodic review of access rights; inspected requests of changes to systems for appropriate approval and authorization; • Tested related interfaces, configurations and other application layer controls identified during our audit and report logic for system generated reports relevant to the audit mainly for loans, interest income, provision for loan assets, deposits, interest expense on deposits, investments, interest income on investments amongst others, for evaluating completeness and accuracy; • Where deficiencies were identified, tested compensating controls or performed alternative procedures.

Identification and provisioning for non-performing assets ('NPAs') including implementation of COVID-19 related measures

As at 31st March, 2021; the Bank reported total gross advances (gross of NPA provision) of ₹ 550,630 Lakhs, total gross- non-performing advances (NPAs) of ₹ 35,359 Lakhs and a provision for NPAs of ₹ 20,518 Lakhs. The provision coverage ratio as at 31st March, 2021 is 73.68%.

Refer note 2.4 for the accounting policy relating to NPA and note 18.4, 18.10E and 18.16 for the related disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>The provisioning for NPAs is made in accordance with the aforesaid accounting policy which is higher than the RBI Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances ('RBI IRAC norms'). Based on our risk assessment; following significant factors are considered in assessment for identification and provision of NPAs:</p> <ul style="list-style-type: none"> • Completeness and timing of recognition of defaults in accordance with the criteria set out in the RBI IRAC norms; • Measurement of provision being dependent on the ageing of overdue balances, secured/unsecured status of advances and valuation of collaterals. 	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Evaluated the Bank's accounting policies for identification and measurement of NPA in accordance with RBI IRAC norms; • Assessed the design and tested the operating effectiveness of the key controls over completeness and accuracy of the loan provision computations; • Tested the automated controls and system generated reports used by the management for identification and measurement of NPAs in line with the RBI IRAC norms; • Re-performed the calculation of provision for NPAs for all loan portfolios in accordance with the accounting policy adopted by the Bank including asset classification and ensured completeness of underlying data. Compared such outcome to that prepared by the management and investigated the differences, if any; • Verified on a sample basis that the loan write-offs during the year were in line with the approved Board policy; • Obtained an understanding of the Board approved policies formulated pursuant to the RBI circulars and Resolution Framework and ensured that such policies were in accordance with such RBI requirements;

Implementation of COVID-19 related measures

During the current year, RBI has announced various relief measures for the borrowers which were implemented by the Bank such as "COVID 19 Regulatory Package- Asset Classification and Provisioning" announced by the RBI on 27th March, 2020, 17th April, 2020 and 23rd May, 2020 and RBI circular on "Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package" dated 7th April, 2021 (collectively referred to as 'the RBI circulars'), and "Resolution Framework for COVID-19 related Stress" (the 'Resolution Framework') issued by the RBI on 6th August, 2020, which were collectively considered by the management in identification and provisioning of NPAs.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>Implementation of the RBI circulars also required the Bank to implement necessary changes in its information technology systems.</p> <p>On the basis of estimates made by the management, an additional provision for NPAs amounting to ₹ 5,907 Lakhs has been recognised by the Bank owing to the potential impact of COVID-19 as on 31st March, 2021 based on the information available as on date.</p> <p>Considering the significance of the above matter to the financial statements and significant auditor attention required to test the identification of NPAs and management estimates around provision on NPAs followed with additional complexities involved in the current year owing to the impact of COVID-19 ; this has been identified as key audit matter for current year audit.</p>	<ul style="list-style-type: none"> • Tested on a sample basis that the restructuring of loans done during the year under the Resolution Framework was approved and implemented, and provisions made on such restructured loans in accordance with the Bank's board approved policy and the Resolution Framework; • Verified on a sample basis that the moratorium granted to the customers during the year was in accordance with the Board approved policy for various products. For such samples selected, we further tested that identification of NPAs, provisions created, and asset classification for such loans were in accordance with the requirements of the RBI circulars and RBI IRAC norms; • Obtained the management analysis for the additional provision created during the year owing to the potential impact of COVID-19 and verified the appropriateness of the management estimates and assumptions used considering our understanding of the risk profiles of the customers of the Bank and other relevant publicly available macro-economic factors pertaining to impact of COVID-19; • Assessed the appropriateness and adequacy of disclosures as per relevant accounting standards including disclosures relating to RBI circulars and Resolution Framework.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

8. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the

preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

Independent Auditor's Report

accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and section 133 of the Act read with rule 7 of the Companies (Rules), 2014 (as amended).
17. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
- a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c) the financial accounting systems of the Bank are centralised, and therefore, accounting returns for the

Independent Auditor's Report

purpose of preparing the financial statements are not required to be submitted by the branches. We have however visited 27 branches during the course of our audit.

18. With respect to the matter to be included in the auditor's report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under the Banking Regulation Act, 1949; the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.
19. Further, as required by section 143 (3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying financial statements;
 - b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c) the financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls with reference to the financial statements of the Bank as on 31st March, 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date and our report dated 14th June, 2021 as per **Annexure I** expressed an unmodified opinion; and
 - g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Bank does not have any pending litigations which would impact its financial position as at 31st March, 2021;
 - ii. the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March, 2021;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended 31st March, 2021; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period 8th November, 2016 to 30th December, 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandik & Co LLP
Chartered Accountants

Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner

Place: Mumbai
Date: 14th June, 2021

Membership No.: 105117
UDIN: 21105117AAAADO5735

Independent Auditor's Report

Annexure I to the **Independent Auditor's Report** of even date to the members of **Fincare Small Finance Bank Limited** on the financial statements for the year ended 31st March, 2021

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Fincare Small Finance Bank Limited ('the Bank') as at and for the year ended 31st March, 2021, we have audited the internal financial controls with reference to financial statements of the Bank as at that date.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

3. Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were

established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements .

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

Independent Auditor's Report

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

OPINION

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as

at 31st March, 2021, based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Manish Gujral

Partner

Place: Mumbai

Date: 14th June, 2021

Membership No.: 105117

UDIN: 21105117AAAADO5735

BALANCE SHEET as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

	Schedule	As at 31 st March, 2021	As at 31 st March, 2020
Capital and liabilities			
Capital	1	6,361	6,361
Employees stock options outstanding		100	-
Reserves and surplus	2	95,330	84,016
Deposits	3	5,31,850	4,65,393
Borrowings	4	1,40,043	1,36,816
Other liabilities and provisions	5	22,938	19,041
Total Capital and Liabilities		7,96,622	7,11,627
Assets			
Cash and balances with Reserve Bank of India	6	1,03,650	1,05,853
Balances with banks and money at call and short notice	7	11,913	2,437
Investments	8	1,27,936	1,00,696
Advances	9	5,30,112	4,81,558
Fixed assets	10	3,619	4,036
Other assets	11	19,392	17,047
Total Assets		7,96,622	7,11,627
Contingent liabilities	12	327	1,837
Bills for collection		-	-

Significant accounting policies and notes to accounts 17 & 18

Schedules referred above form an integral part of the Balance Sheet

As per our report of even date

For **Walker Chandiook and Co. LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
Mumbai
14th June, 2021

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

Rajeev Yadav
MD and CEO
DIN: 00111379
Bengaluru
14th June, 2021

Pramod Kabra
Director
DIN: 02252403
Mumbai
14th June, 2021

Vinay Bajjal
Director
DIN: 07516339
Mumbai
14th June, 2021

Keyur Doshi
Chief Financial Officer
Baroda
14th June, 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
14th June, 2021

PROFIT & LOSS ACCOUNT for the year ended 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

	Schedule	Year ended 31 st March, 2021	Year ended 31 st March, 2020
I. Income			
Interest earned	13	1,25,103	1,07,026
Other income	14	12,738	14,546
Total Income		1,37,841	1,21,572
II. Expenditure			
Interest expended	15	55,009	45,150
Operating expenses	16	46,324	42,613
Provision and contingencies (refer note 18.16)		25,194	19,464
Total Expenditure		1,26,527	1,07,227
III. Profit/(loss)			
Net profit for the year		11,314	14,345
Profit brought forward		9,707	(618)
Total Profit		21,021	13,727
IV. Appropriation/transfers			
Transfer to statutory reserves		2,829	3,587
Transfer to other reserves		84	433
Transfer to Government/proposed dividend		-	-
Balance carried over to the balance sheet		18,108	9,707
Total		21,021	13,727
Significant accounting policies and notes to accounts	17 & 18		
Earnings per equity share of ₹ 10 each (refer note 18.34)			
Basic (₹)		17.79	24.43
Diluted (₹)		17.79	24.43
Face value per share (₹)		10.00	10.00

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

As per our report of even date			
For Walker Chandiook and Co. LLP Chartered Accountants Firm Registration No: 001076N/N500013		For and on behalf of the Board of Directors of Fincare Small Finance Bank Limited	
Manish Gujral Partner Membership No.: 105117 Mumbai 14 th June, 2021	Rajeev Yadav MD and CEO DIN: 00111379 Bengaluru 14 th June, 2021	Pramod Kabra Director DIN: 02252403 Mumbai 14 th June, 2021	Vinay Bajjal Director DIN: 07516339 Mumbai 14 th June, 2021
	Keyur Doshi Chief Financial Officer Baroda 14 th June, 2021	Shefaly Kothari Company Secretary M No. F7698 Bengaluru 14 th June, 2021	

CASH FLOW STATEMENT for the year ended 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
A. Cash flows from/(used in) operating activities:		
Profit before tax	14,642	20,273
Adjustments for :		
Depreciation and amortisation expenses	1,701	1,690
Employee Stock Option Cost	100	-
Amortisation of premium on SLR investments in HTM category	685	160
(Profit)/loss on disposal of fixed assets	(1)	7
Loan portfolio written off	3,393	4,544
Provision on portfolio loans	18,572	9,210
Provision for other contingencies	(267)	(153)
Provision/depreciation - Investments	(5)	(8)
(Profit) on sale of investment in SLR securities	(122)	(18)
Loss on sale of investment in SLR securities	99	13
(Profit) on sale of investment in mutual funds	(29)	(106)
Operating profits before working capital changes	38,768	35,612
Movement in working capital:		
Increase in deposits	66,457	2,61,072
Increase/(decrease) in other liabilities	4,090	(7,613)
(Increase) in investments (net)	(27,897)	(30,757)
(Increase) in advances	(69,968)	(2,09,490)
(Increase)/decrease in fixed deposits	(516)	6,427
(Increase) in other assets	(21)	(847)
Cash generated from operating activities	10,913	54,404
Taxes on income paid, net	(6,129)	(7,466)
Net cash generated from operating activities	4,784	46,938
B. Cash flows generated from / (used in) investing activities:		
Purchase of fixed assets	(1,292)	(2,433)
Proceeds from sale of fixed assets	9	7
Purchase of investments in mutual funds	(18,000)	(48,000)
Proceeds from sale of investments in mutual funds	18,029	48,106
Proceeds from term money lending	(3,999)	8,999
Net cash (used in)/ generated from investing activities	(5,253)	6,679
C. Cash flows generated from / (used in) financing activities:		
Proceeds from issue of equity shares	-	9,432
Proceeds from borrowing under the LAF segment	-	10,300
Proceeds from loans availed from banks and financial institutions	47,000	42,500

Table Contd. to next page

CASH FLOW STATEMENT for the year ended 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Repayment of loans availed from banks and financial institutions	(39,073)	(50,041)
Repayment of borrowing under the LAF segment	(4,700)	-
Proceeds from issue of non-convertible debentures	-	10,000
Redemption of non-convertible debentures	-	(4,250)
Net cash generated from financing activities	3,227	17,941
Net increase in cash and cash equivalents during the year (A+B+C)	2,758	71,558
Cash and cash equivalents at the beginning of the year	1,07,526	35,968
Cash and cash equivalents at the end of the year¹	1,10,284	1,07,526
¹ Includes cash and bank balances with Reserve Bank of India [refer Schedule 6], balances with Banks in current account and money at call and short notice [refer Schedule 7(i)(a) and 7(ii)(b)] as on 31 st March, 2021 and 31 st March, 2020.		
Components of cash and cash equivalents		
Cash and balances with Reserve Bank of India	1,03,650	1,05,853
Balances with banks and money at call and short notice	6,634	1,673
	1,10,284	1,07,526

As per our report of even date
For Walker Chandiok and Co. LLP

Chartered Accountants

Firm Registration No: 001076N/N500013

Manish Gujral

Partner

Membership No.: 105117

Mumbai

 14th June, 2021

For and on behalf of the Board of Directors of

Fincare Small Finance Bank Limited
Rajeev Yadav

MD and CEO

DIN: 00111379

Bengaluru

 14th June, 2021

Pramod Kabra

Director

DIN: 02252403

Mumbai

 14th June, 2021

Vinay Bajjal

Director

DIN: 07516339

Mumbai

 14th June, 2021

Keyur Doshi

Chief Financial Officer

Baroda

 14th June, 2021

Shefaly Kothari

Company Secretary

M No. F7698

Bengaluru

 14th June, 2021

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 1 - Capital	As at 31 st March, 2021	As at 31 st March, 2020
Authorised capital		
300,000,000 (31 st March, 2020: 100,000,000) equity shares of ₹ 10 each	30,000	10,000
Issued, subscribed and fully paid-up capital		
63,610,481 (31 st March, 2020: 63,610,481) equity shares of ₹ 10 each	6,361	6,361
Total Capital	6,361	6,361

Notes

1 Rights and preference of equity shareholders

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

Schedule 2 - Reserves and surplus	As at 31 st March, 2021	As at 31 st March, 2020
I. Statutory reserve		
(Created pursuant to Section 17(2) of Banking Regulation Act, 1949)		
Opening balance	6,587	3,000
Additions during the year	2,829	3,587
Deductions during the year	-	-
	9,416	6,587
II. Share premium		
Opening balance	66,977	58,262
Additions during the year	-	8,715
Deductions during the year	-	-
	66,977	66,977
III. General reserves		
Opening balance	1	1
Additions during the year	-	-
Deductions during the year	-	-
	1	1
IV. Investment fluctuation reserve		
Opening balance	744	311
Additions during the year	84	433
Deductions during the year	-	-
	828	744
V. Balance in profit and loss account	18,108	9,707
Total Reserves and surplus	95,330	84,016

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 3 - Deposits		As at 31st March, 2021	As at 31st March, 2020
A. I.	Demand deposits		
	i) From banks	1,035	76
	ii) From others	4,568	2,919
		5,603	2,995
	II. Savings bank deposits	1,20,755	52,511
III.	Term deposits		
	i) From banks	1,49,085	1,67,023
	ii) From others	2,56,407	2,42,864
		4,05,492	4,09,887
	Total Deposits	5,31,850	4,65,393
B. I.	Deposits of branches in India	5,31,850	4,65,393
	II. Deposits of branches outside India	-	-
	Total Deposits	5,31,850	4,65,393

Schedule 4 - Borrowings		As at 31st March, 2021	As at 31st March, 2020
I.	Borrowings in India		
	i) Reserve Bank of India	5,600	10,300
	ii) Other banks ¹	-	3,000
	iii) Other institutions and agencies	-	-
	a) Government of India	-	-
	b) Financial Institutions ¹	1,14,443	1,03,516
	iv) Borrowings in the form of bonds and debentures ¹ (excluding sub-ordinated debts)	-	-
	v) Unsecured redeemable debentures/bonds (sub-ordinated debt included in Tier 2 capital)	20,000	20,000
	Total Borrowings in India	1,40,043	1,36,816
II.	Borrowings outside India	-	-
	Total Borrowings	1,40,043	1,36,816

¹ Secured borrowings included in I above is ₹ 331 Lakhs (31st March, 2020: ₹ 724 Lakhs)

Schedule 5 - Other liabilities and provisions		As at 31st March, 2021	As at 31st March, 2020
I.	Bills payable	-	-
II.	Inter-office adjustments (net)	-	-
III.	Interests accrued	1,439	582
IV.	General provision for standard assets (Refer schedule 18.4 E)	11,161	10,610
V.	Others (including provisions)¹	10,338	7,849
	Total Other liabilities and provisions	22,938	19,041

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

1 Others (including provisions)	As at 31st March, 2021	As at 31st March, 2020
Interest strip on securitisation/assignment of portfolio loans	-	477
Payable towards securitisation/assignment of loans	-	34
Provision for other contingencies	34	301
Tax deducted at source payable	483	539
Statutory liability payable	430	325
Accrued expenses	1,872	1,986
Accrued employee expenses	1,916	1,467
Provision for gratuity (Refer schedule 18.15 A)	147	411
Provision for compensated absences (Refer schedule 18.15 C)	1,020	755
Other liabilities	4,436	1,554
	10,338	7,849

Schedule 6 - Cash and balances with Reserve Bank of India	As at 31st March, 2021	As at 31st March, 2020
I. Cash in hand (Including foreign currency notes) ¹	2,628	1,807
II. Balances with Reserve Bank of India		
i) in current account	15,822	12,246
ii) in other accounts	85,200	91,800
Total Cash and balances with Reserve Bank of India	1,03,650	1,05,853

¹ The Bank does not have any foreign currency note balances as on 31st March, 2021 and 31st March, 2020.

Schedule 7 - Balances with banks and money at call and short notice	As at 31st March, 2021	As at 31st March, 2020
I. In India		
i) Balances with banks		
a) In current accounts	6,634	1,673
b) In other deposit accounts ¹	1,280	764
ii) Money at call and short notice		
a) With banks	-	-
b) With other institutions	3,999	-
Total	11,913	2,437
II. Outside India		
i) In current accounts	-	-
ii) In other deposit accounts	-	-
iii) Money at call and short notice	-	-
Total	-	-
Total balances with Banks and money at call and short notice	11,913	2,437

¹ Includes ₹ 250 Lakhs (31st March, 2020: ₹ 250 Lakhs) lien marked towards term loans availed from financial institution and cash collateral amounting to Nil (31st March, 2020: ₹ 408 Lakhs) placed in connection with assignment / securitisation of advances.

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 8 - Investments	As at 31 st March, 2021	As at 31 st March, 2020
I. Investment in India in		
i) Government securities	1,27,936	1,00,696
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
Total investments in India¹	1,27,936	1,00,696
II. Investment outside India in		
i) Government securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Others	-	-
Total investments outside India	-	-
Total investments¹	1,27,936	1,00,696
III. Investments		
A. Investments in India		
Gross value of investments	1,27,939	1,00,704
Less: Aggregate of provision/depreciation/(appreciation)	(3)	(8)
Net investments	1,27,936	1,00,696
B. Investments outside India		
Gross value of investments	-	-
Less: Aggregate of provision/depreciation/(appreciation)	-	-
Net investments	-	-
Total investments¹	1,27,936	1,00,696

¹ Refer schedule 18.2.A - Investments

Schedule 9 - Advances (net of provisions)	As at 31 st March, 2021	As at 31 st March, 2020
A.		
i) Bill purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand ¹	1,965	1,661
iii) Term loans ¹	5,28,147	4,79,897
Total advances	5,30,112	4,81,558
B.		
i) Secured by tangible assets (including advances against book debts)	1,21,071	1,04,599
ii) Covered by banks/Government guarantees	-	-
iii) Unsecured	4,09,041	3,76,959
Total advances	5,30,112	4,81,558
C. I.		
Advances in India		
i) Priority sectors	4,43,712	4,03,868
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	86,400	77,690
Total advances in India	5,30,112	4,81,558
II.		
Advances outside India		
i) Dues from banks	-	-
ii) Dues from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicate loans	-	-
c) Others	-	-
Total advances outside India	-	-
Total advances	5,30,112	4,81,558

¹ Net of provision for non-performing assets aggregating to ₹20,518 Lakhs (31st March, 2020: ₹2,497 Lakhs) and Inter-Bank Participation Certificate (IBPC) sold and outstanding as at 31st March, 2021 of ₹52,450 Lakhs (31st March, 2020: ₹43,680 Lakhs).

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 10 - Fixed assets	As at 31 st March, 2021	As at 31 st March, 2020
A. Premises		
Gross block		
Opening balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Closing balance	-	-
Less: Depreciation to date	-	-
Net Block	-	-
B. Other fixed assets (including furniture and fixtures)		
Gross block		
Opening balance	7,976	5,584
Additions during the year	1,292	2,433
Deductions during the year	(59)	(41)
Closing balance	9,209	7,976
C. Accumulated depreciation		
Opening balance	3,940	2,277
Charge for the year	1,701	1,690
Deductions during the year	(51)	(27)
Closing balance	5,590	3,940
Net Block¹	3,619	4,036
Total fixed assets	3,619	4,036

¹ Including intangible assets amounting to ₹ 102 Lakhs (31st March, 2020: ₹ 272 Lakhs)

Schedule 11 - Other assets	As at 31 st March, 2021	As at 31 st March, 2020
I. Inter-office adjustments (net)	-	-
II. Interest accrued	9,325	9,637
III. Tax paid in advance / tax deducted at source (net)	188	23
IV. Stationery and stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Others ¹	9,879	7,387
	19,392	17,047

1 Others	As at 31 st March, 2021	As at 31 st March, 2020
Loans given as collateral towards securitisation transactions	327	647
Interest strip on securitisation / assignment of loans	-	477
Deferred tax asset (refer schedule 18.30)	6,651	4,019
Security deposits	1,234	1,132
Goods & Services Tax input credit	521	321
Other receivables	1,146	791
	9,879	7,387

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 12 - Contingent liabilities	As at 31st March, 2021	As at 31st March, 2020
I. Claims against the bank not acknowledged as debts - taxes	-	-
II. Claims against the bank not acknowledged as debts - others ¹	327	1,837
III. Liability for partly paid investments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	-	-
Total contingent liabilities	327	1,837

1 Claims against the bank not acknowledged as debts-others	As at 31st March, 2021	As at 31st March, 2020
i) Cash collateral	-	408
ii) Unfunded guarantee	-	305
iii) Principal subordination	327	647
iv) Interest subordination	-	477
	327	1,837

2 The Hon'ble Supreme Court had, in its decision dated 28th February, 2019, ruled that special allowance would form part of basic wages for computing the Provident Fund (PF) contribution. The management has obtained a legal opinion to ascertain whether this is applicable to the Bank basis its wage structure and believes that it will not have any material adverse effect on the financial position and results of its operations.

Schedule 13 - Interest earned	Year ended 31st March, 2021	Year ended 31st March, 2020
I. Interest/discount on advances/bills	1,14,828	94,458
II. Income on investments	6,852	4,994
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,261	3,432
IV. Others ¹	162	4,142
Total interest earned	1,25,103	1,07,026

¹ Others	Year ended 31st March, 2021	Year ended 31st March, 2020
Income from securitisation/assignment of loans	3	3,186
Interest income on money market instruments	117	213
Interest income on Tri Party Repo lending	41	741
Others	1	2
	162	4,142

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 14 - Other income		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Commission, exchange and brokerage	5,098	5,661
II.	Profit on sale of investments	151	124
	(Less): Loss on sale of investments	(99)	(13)
III.	Profit on revaluation of investments	-	-
	(Less): Loss on revaluation of investments	-	-
IV.	Profit on sale of land, buildings and other assets	3	2
	(Less): Loss on sale of land, buildings and other assets	(2)	(9)
V.	Profit on exchange/derivative transactions	-	-
	(Less): Loss on exchange/derivative transactions	-	-
VI.	Income earned by way of dividends from subsidiaries, companies and/or joint ventures abroad/in India	-	-
VII.	Miscellaneous income ¹	7,587	8,781
	Total other income	12,738	14,546

¹ Miscellaneous income		Year ended 31st March, 2021	Year ended 31st March, 2020
	Income from sale of Priority Sector Lending Certificate	4,096	4,338
	Recovery against loans written off	197	276
	Debit card issue/maintenance charges	2,309	3,483
	Others	985	684
		7,587	8,781

Schedule 15 - Interest expended		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Interest on deposits	41,602	30,195
II.	Interest on Reserve Bank of India/Inter-bank borrowings	2,054	4,081
III.	Others	11,353	10,874
	Total interest expended	55,009	45,150

Schedule 16 - Operating expenses		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Payments to and provisions for employees	28,919	25,993
II.	Rent, taxes and lighting (refer schedule 18.31)	3,167	2,835
III.	Printing and stationery	518	906
IV.	Advertisement and publicity	504	1,029
V.	Depreciation on Bank's property	1,701	1,690
VI.	Directors' fees, allowances and expenses	113	97
VII.	Auditors' fees and expenses	66	84
VIII.	Law charges	2	24
IX.	Postage, telegrams, telephones, etc.	1,149	1,230
X.	Repairs and maintenance	540	698
XI.	Insurance	477	215
XII.	Professional fee	2,834	2,453
XIV.	Other expenditure ¹	6,334	5,359
	Total operating expenses	46,324	42,613

Schedules forming part of the Balance Sheet as at 31st March, 2021

(All amounts in ₹ Lakhs except otherwise stated)

Schedule 16 - Operating expenses (cont'd)

¹ Other expenditure	Year ended 31st March, 2021	Year ended 31st March, 2020
Travelling and conveyance	534	993
Communication expenses	465	264
Contribution towards CSR expenses (refer schedule 18.36)	149	38
Bank charges	105	137
Loss on securitisation	70	-
ATM recycler charges	985	1,217
Credit Bureau charges	151	817
Business correspondence commission	1,975	552
Miscellaneous expense	1,900	1,341
	6,334	5,359

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

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, Disha Microfin Limited ("the Company") commenced its operations as a small finance bank with effect from 21st July, 2017. Accordingly, the name of the Company was changed to Fincare Small Finance Bank Limited ("the Bank"). The Bank is a Banking Company governed by the Banking Regulation Act, 1949.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1(i) Basis of preparation of financial statements

These financial statements of the Bank consisting of balance sheet as at 31st March, 2021, the profit and loss account, the cash flow statement for the year ended 31st March, 2021, and a summary of significant accounting policies and other explanatory notes have been prepared in accordance with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting, except in the case of interest and other income on non-performing assets (NPAs) where it is recognised upon realisation.

2.1(ii) Impact of COVID 19

(i) The Covid-19 pandemic has contributed to a significant

decline and volatility in the economic activity, in the global and Indian markets. The nation-wide lockdown imposed in the month of April and May 2020 has significantly impacted the livelihood of individuals and various business operations, consequently impacting the Bank's regular operations including lending and collection activities due to restrictions on the movement of employees across different states to reach the borrowers.

The easing of the lockdown measures subsequently led to a gradual improvement in the economic activity and progress towards normalcy.

The current second wave ("second wave") of Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lockdown measures in various parts of the country.

- (ii) In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated 23rd May, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between 1st June, 2020 and 31st August, 2020.

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.

The Bank had made an additional provision amounting to ₹ 8,250 Lakhs owing to the probable impact of Covid-19 ("Covid-19 related provision") during the year ended 31st March, 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 13,142 Lakhs during the year ended 31st March, 2021. (Refer Schedule 18.4E).

- (iii) The Supreme Court, in a writ petition through its interim order dated 03 September 2020, had directed that accounts which were not declared as NPA till 31st August, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of 31st August, 2020 as per the RBI norms, as NPA after 31st August, 2020. However, the Bank had made

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

The interim order granted to not declare accounts as NPA stood vacated on 23rd March, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated 7th April, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from 1st September, 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at 31st March, 2021, the Bank held an aggregate Covid-19 related provision of ₹ 5,907 Lakhs (included in General provision for standard assets).

- (iv) The Bank has assessed the impact of the Covid-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. The management is confident that collections will improve, though at a lower level than earlier with the relaxations in the lockdowns. Based on the foregoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfill its obligations as and when these become due in the foreseeable future.
- (v) The Bank has put in place a Board approved policy for restructuring of assets in line with the guidelines laid down by the RBI in the Prudential Framework for Resolution of Stressed Assets issued on 7th June, 2019 and Resolution framework for COVID 19 stressed assets issued on 6th August, 2020. The details of restructuring done by the Bank under the respective framework has been provided in Schedule 18.4 B.

2.2 Use of estimates

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

2.3 Revenue recognition

- (i) Interest income on loans is recognised in the Profit and Loss Account as it accrues by applying the rate of interest as per the agreement. Interest income on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealized as on the date of being classified as non-performing asset is reversed, as per the income recognition and asset classification norms of RBI.
- (ii) Interest on discounted instruments is recognised over the tenure of the instrument on a constant Yield to Maturity method.
- (iii) Loan processing fees is recognised on an upfront basis when it becomes due.
- (iv) The fees charged on debit card issuance is recognised on an upfront basis.
- (v) The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of sale transaction, the Bank sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recognised under Miscellaneous Income within Other income on a straight-line basis over the tenure of the certificate.
- (vi) Interest income on deposits with banks and financial institutions is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- (vii) Dividend income is recognised when the right to receive payment is established on the balance sheet date.
- (viii) All other fees and income are accounted for as and when they become due.

2.4 Advances

Classification

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

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

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

In case of micro-finance loans, rural micro enterprise loans, loan

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

against gold, two wheeler loans, staff loans and CASA accounts with debit balances, NPAs are classified as sub-standard assets as per RBI guidelines. Further, such NPAs which become overdue for more than 180 days are classified as loss assets.

In case of secured institutional finance and secured overdraft against property, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 820 days are classified as loss assets.

In case of loan against property with registered mortgage and secured affordable housing loans, NPAs are classified as sub-standard and doubtful assets as per RBI guidelines. However, NPAs overdue for more than 1,185 days are classified as loss assets.

Provisioning

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

Further, provision for sub-standard, doubtful and loss assets in case of loan portfolio are provided based on management's best estimates, subject to minimum provisioning level prescribed by RBI under IRAC norms.

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

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

Recoveries from bad debts written-off are recognized in the Profit and Loss Account and included under Miscellaneous income within Other Income.

Provision policy for securitised loans

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

2.5 Inter-bank participation certificate ('IBPC')

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

2.6 Investments

Classification

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

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

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

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

Basis of classification

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

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

Acquisition cost

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

Disposal of investments

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

Valuation

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

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

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

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

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

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

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

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

2.7 Transfer and servicing of assets

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

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

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

2.8 Fixed assets

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

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and

maintenance expenditure and cost of replacing parts, are charged to the profit and loss account for the period during which such expenses are incurred.

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

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

2.9 Intangible assets

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Bank for its use. Intangible assets include computer software, which is acquired, capitalized and amortized on a straight-line basis over the estimated useful life.

2.10 Depreciation and amortization

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

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

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

Intangible asset description	Useful life
Computer software	3 years

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

2.11 Impairment of assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

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.

2.11 Impairment of assets

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

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

2.12 Employee benefits

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

Provident fund

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

Gratuity

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

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

Compensated absences

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

Other short-term benefits

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

Other long-term employee benefits- Deferred cash variable pay

As per the Bank's policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement.

The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by AS-15 on Employee benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

2.13 Employee share based Payments

Equity-settled scheme:

The Employees Stock Option Scheme (the Scheme) provides for grant of options on the Bank's equity shares to employees, including Managing Director and Whole Time Directors, of the Bank. The Scheme provides that employees may be granted an option to subscribe to equity shares of the Bank that shall vest as per the vesting schedule determined by Nomination and Remuneration Committee. The options, post vesting, may be exercised within a specified period. In accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by The Institute of Chartered Accountants of India, the cost of equity settled transactions has been measured using the fair value method. Details regarding the determination of the fair value of the options are set out in Schedule 18.25. The fair value of the options determined as at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of equity instruments that will eventually vest, with a corresponding credit to Employee stock options outstanding account. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

estimate, with a corresponding adjustment to the Employee stock options outstanding account.

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

2.14 Taxes on income

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

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

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

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

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

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

2.15 Foreign currency transactions

Initial recognition

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

Conversion

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

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

2.16 Provisions and contingent liabilities

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

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

2.17 Borrowing costs

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

Schedule 17 - Significant accounting policies forming part of the financial statements for the year ended 31st March, 2021

2.18 Earnings per share

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

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

2.19 Transaction cost

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

- i. Issuance of share capital and debentures is expensed to the profit and loss account.
- ii. Acquisition of borrowings is expensed to the profit and loss account in the year in which they are incurred.

2.20 Leases

Operating leases

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

2.21 Cash and cash equivalents

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

banks and money at call and short notice.

2.22 Segment reporting

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

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

a) Treasury

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

b) Corporate/Wholesale banking

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

c) Retail banking

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

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

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

18.1 - Capital

A. Capital to Risk Weighted Asset Ratio (CRAR)

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

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Common equity tier 1 capital ratio (%)	24.91%	23.46%
Tier 1 capital ratio (%)	24.91%	23.46%
Tier 2 capital ratio (%)	4.65%	5.82%
Total Capital Ratio (CRAR) (%)	29.56%	29.28%
Amount of equity capital raised (including share premium)	-	9,432
Amount of Additional Tier 1 capital raised; of which:		
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	-
Amount of Tier 2 capital raised; of which:		
Debt capital instruments (discounted value) ¹	13,000	17,000
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares (RCPS)]	-	-

¹ Subordinated debt (considered in Tier 2 capital) outstanding as at 31st March, 2021 is ₹ 20,000 Lakhs (31st March, 2020: ₹ 20,000 Lakhs).

B. Capital infusion

During the year ended 31st March, 2021, the Bank has not infused capital (31st March, 2020: 7,174,500). Details of movement in the paid up equity share capital are as below:

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Equity Shares	Amount (₹)	Equity Shares	Amount (₹)
Equity shares at the beginning of the year	6,36,10,481	6,361	5,64,35,981	5,644
Addition pursuant to equity shares issued during the year	-	-	71,74,500	717
Equity shares outstanding at the end of the year	6,36,10,481	6,361	6,36,10,481	6,361

18.2 Investments

The following table sets forth, for the years indicated, the details of investments and the movement in provision held towards depreciation on investments of the Bank.

A. Particulars of Investments and movement in provision held towards depreciation on Investments

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
a) Value of investments:		
i) Gross value of investments		
a) In India	1,27,939	1,00,704
b) Outside India	-	-
	1,27,939	1,00,704
ii) Provision for depreciation		
a) In India	(3)	(8)
b) Outside India	-	-
	(3)	(8)

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
lii) Net value of investments		
a) In India	1,27,936	1,00,696
b) Outside India	-	-
	1,27,936	1,00,696
b) Movement of provisions held towards depreciation on investments:		
i) Opening balance	8	-
ii) Add: Provision made during the year	3	8
iii) Less: Write-off /write back of excess provision during the year	(8)	-
iv) Closing balance	3	8

Category wise details of investments (net of provision for depreciation):

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

B. Repurchase transactions

Tri - Party Repo / Reverse Repo

Particulars	Minimum outstanding during the year 2020-21	Maximum outstanding during the year 2020-21	Daily Average outstanding during the year 2020-21	Outstanding as on 31 st March, 2021
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Securities sold under reverse repo¹

i. Government securities	5,397	40,626	25,022	5,397
ii. Corporate debt securities	-	-	-	-

Securities purchased under reverse repo¹

i. Government securities	32,259	1,32,519	82,839	90,539
ii. Corporate debt securities	-	-	-	-

Particulars	Minimum outstanding during the year 2019-20	Maximum outstanding during the year 2019-20	Daily Average outstanding during the year 2019-20	Outstanding as on 31 st March, 2020
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Securities sold under reverse repo¹

i. Government securities	-	34,342	8,047	9,887
ii. Corporate debt securities	-	-	-	-

Securities purchased under reverse repo¹

i. Government securities	-	1,15,530	61,387	85,908
ii. Corporate debt securities	-	-	-	-

¹ Amounts reported are based on the value of securities under Repo and Reverse Repo.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

Qualitative disclosure

The Bank applied for the segment of Repo/Reverse repo post receipt of scheduled bank license from the RBI and got the approval for the said segment. The Bank has commenced the Repo and Reverse repo operation w.e.f. 01st August, 2019 after requisite collateral and default funds were in place.

The securities provided/allotted to the Bank till date for reverse repo transactions are all issued by Government of India in the form of government securities, floating rate bonds and T-Bills.

C. Non-SLR investment portfolio

a) Issuer composition of Non-SLR investments

As at the year ended 31st March, 2021 and 31st March, 2020; there are no outstanding Non - SLR investments.

b) Non-performing Non-SLR investments

During the year ended 31st March, 2021 and 31st March, 2020; there are no non performing Non - SLR investments.

D. Sale and Transfer to/from HTM Category

During the year ended 31st March, 2021 and 31st March, 2020, there was no sale and transfer to/from HTM category.

18.3 Derivatives

During the year ended 31st March, 2021 and 31st March, 2020; the Bank has not undertaken any derivative transaction and there is no outstanding position as at the year end. Hence, disclosure related to forward rate agreement / interest rate swap and exchange traded interest rate derivatives are not provided.

18.4 Asset quality

A. Non-performing assets¹

The following table sets forth, for the years indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
(i) Net NPAs to Net Advances (%)	2.80%	0.41%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	4,472	3,589
(b) Additions during the year	35,712	7,433
(c) Reductions during the year	4,825	6,550
(d) Closing balance	35,359	4,472
(iii) Movement of Net NPAs		
(a) Opening balance	1,975	950
(b) Additions during the year	15,012	4,538
(c) Reductions during the year	2,146	3,513
(d) Closing balance	14,841	1,975
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	2,497	2,640
(b) Provision made during the year	21,108	4,846
(c) Write off/ write back of excess provision	3,087	4,989
(d) Closing balance	20,518	2,497

¹ Non performing assets include only non performing advances as on 31st March, 2021 and 31st March, 2020.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

B. Particulars of accounts restructured for the year ended 31st March, 2021

Type of Restructuring	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total				
	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on 1 st April of the FY (opening figures)	No. of borrowers	-	-	-	-	-	-	49	-	15	64	-	15	64
	Amount Outstanding	-	-	-	-	-	-	2	-	1	3	-	1	3
	Provision there-on	-	-	-	-	-	-	1	-	1	2	-	1	2
Fresh restructuring during the year	No. of borrowers	-	-	-	238	-	-	14,326	238	-	14,564	238	-	14,564
	Amount Outstanding	-	-	-	-	-	-	5,488	82	-	5,570	82	-	5,570
	Provision there-on	-	-	-	23	-	-	1,389	23	-	1,412	23	-	1,412
Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	(14)	-	-	(14)	(14)	-	28	-	28	-
	Amount Outstanding	-	-	-	(4)	-	-	(4)	(4)	-	8	-	8	-
	Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-

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Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

Type of Restructuring Asset Classification	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total							
	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Standard	Sub-Standard	Doubtful	Loss	Total
Provision there-on	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(4)	(4)	-	8	-
Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	(13)	-	(13)	-	(10)	-	(23)
Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)	-	(1)	-	(1)
Provision there-on	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)	-	(1)	-	(1)
Movement in accounts	-	-	-	-	-	-	-	-	-	-	(31)	-	(31)	-	(5)	-	(36)
Amount Outstanding	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)	-	(0)	-	(1)
Provision there-on	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)	-	0	-	(0)
Restructured Accounts as on 31 st March of the year (closing figures)	-	-	-	-	-	-	224	14,317	-	28	14,569	224	14,317	-	28	14,569	28
Amount Outstanding	-	-	-	-	-	-	78	5,485	-	8	5,571	78	5,485	-	8	5,571	8
Provision there-on	-	-	-	-	-	-	19	1,386	-	8	1,413	19	1,386	-	8	1,413	8

1 Out of 14,326 accounts, 14,231 restructured accounts have been provided additional finance as a part of resolution plan which was initially classified as standard as per Prudential Framework for resolution of stressed assets dated 7th June, 2019. The amount outstanding and provision thereon, towards such additional finance is ₹ 3,330 Lakhs and ₹ 839 Lakhs respectively as on 31st March, 2021.

2 Additional finance, with an amount outstanding and provision thereon of ₹ 132 Lakhs and ₹ 39 Lakhs respectively as on 31st March, 2021 was downgraded to sub-standard during the year ended 31st March, 2021.

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except otherwise stated)

Particulars of accounts restructured for the year ended 31st March, 2020

Type of Restructuring	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total							
	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total					
Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	164	-	-	164	-	-	-	164
No. of borrowers	-	-	-	-	-	-	-	-	-	164	-	-	164	-	-	-	164
Amount Outstanding	-	-	-	-	-	-	-	-	-	16	-	-	16	-	-	-	16
Provision there-on	-	-	-	-	-	-	-	-	-	8	-	-	8	-	-	-	8
Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision there-on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	(15)	-	15	(15)	-	-	-	15
No. of borrowers	-	-	-	-	-	-	-	-	-	(15)	-	15	(15)	-	-	-	15
Amount Outstanding	-	-	-	-	-	-	-	-	-	(1)	-	1	(1)	-	-	-	1
Provision there-on	-	-	-	-	-	-	-	-	-	(1)	-	1	(1)	-	-	-	1

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(All amounts in ₹ Lakhs except otherwise stated)

Type of Restructuring	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total	Standard	Sub-Doubtful	Loss Total
Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	(23)	-	(23)	-	(23)
Amount Outstanding	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Provision there-on	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Movement in accounts	-	-	-	-	-	-	-	(77)	-	(77)	-	(77)
No. of borrowers	-	-	-	-	-	-	-	(77)	-	(77)	-	(77)
Amount Outstanding	-	-	-	-	-	-	-	(11)	-	(11)	-	(11)
Provision there-on	-	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Restructured Accounts as on March 31 of the year (closing figures)	-	-	-	-	-	-	-	49	15	64	-	49
Amount Outstanding	-	-	-	-	-	-	-	2	1	3	-	2
Provision there-on	-	-	-	-	-	-	-	1	1	2	-	1
	-	-	-	-	-	-	-	1	1	2	-	1
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(All amounts in ₹ Lakhs except otherwise stated)

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 March, 2021 and 31st March, 2020 to securitisation / reconstruction company for asset reconstruction.

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

The Bank has not purchased or sold any non performing financial assets during the year ended 31st March, 2021 and 31st March, 2020.

E. (i) Provisions towards standard assets

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provisions towards standard assets	11,161	10,610
	11,161	10,610

(ii) General provision for COVID 19 deferment cases as per the RBI COVID 19 Regulatory package

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020 and 17th April, 2020, the Bank granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between 1st March, 2020 and 31st May, 2020, to all eligible borrowers. In line with the additional Regulatory Package guidelines dated 23rd May, 2020, the Bank granted a second phase of three months moratorium on instalments and / or interest, as applicable, falling due between 1st June, 2020 and 31st August, 2020.

The quantitative disclosures as required by the RBI circular dated 17th April, 2020 for the year ended 31st March, 2021 and 31st March, 2020 are given below:

Particulars	31 st March, 2021	31 st March, 2020
- Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the circular (as of 29 th February, 2020)	4,787	4,787
- Of the above, respective amounts where asset classification benefits is extended as at year ended	3,396	4,083
- Provision made in terms of paragraph 5 of the COVID-19 Regulatory Package		
In Q4 FY2020	268	268
In Q1 FY2021	268	-
- Provision adjusted against slippages during the year in terms of paragraph 6 of the COVID 19 Regulatory Package	536	-
- Residual provision held at the year ended	-	268

(iii) Higher provision for COVID 19

In management's view providing moratorium to borrowers at a mass scale based on the RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.

The Bank had made an additional provision amounting to ₹ 8,250 Lakhs owing to the probable impact of Covid-19 ("Covid-19 related provision") during the year ended 31st March, 2020. Further, the Bank made Covid-19 related provision amounting to ₹ 13,142 Lakhs during the year ended 31st March, 2021.

(iv) Update on Supreme Court of India order

The Supreme Court, in a writ petition through its interim order dated 3rd September, 2020, had directed that accounts which were not declared as NPA till 31st August, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank had not classified any account which was not NPA as of 31st August, 2020 as per the RBI norms, as NPA after 31st August 2020. However, the Bank had made a contingency provision for such borrower accounts not classified as non-performing and included such provision in above mentioned Covid-19 related provision.

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The interim order granted to not declare accounts as NPA stood vacated on 23rd March, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In this connection, the RBI vide its circular dated 7th April, 2021 has provided extant instructions to all lending institutions for asset classification of all borrower accounts subsequent to the above mentioned judgement. The Bank has accordingly classified these borrower accounts as per the extant IRAC norms with effect from 1st September, 2020 and utilised the above Covid-19 related provision towards provision on these accounts. Accordingly, as at 31st March, 2021, the Bank held an aggregate Covid-19 related provision of ₹ 5,907 Lakhs (included in General provision for standard assets)."

(v) Disclosure as required by the RBI notification dated 7th April, 2021

In accordance with the RBI notification dated 7th April, 2021, the Bank is required to refund/adjust any amount in the nature of "Interest on Interest" including penal interest charged to the borrowers during the moratorium period i.e., 1st March, 2020 to 31st August, 2020. As at 31st March, 2021, the Bank has created a liability towards estimated interest relief and has reduced the same from interest income.

18.5 Provisioning coverage ratio

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines after considering technical write off	73.68%	91.14%

18.6 Business ratios

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
(i) Interest income as a percentage to working funds ¹	15.88%	18.18%
(ii) Non interest income as a percentage to working funds ¹	1.62%	2.47%
(iii) Operating profit ² as a percentage to working funds ¹	4.63%	5.74%
(iv) Return on assets (average) ³	1.44%	2.44%
(v) Business ³ per employee ⁴	115	96
(vi) Profit per employee ⁴	2	2

¹ For the purpose of computing the ratio, working funds represent the monthly average of total assets computed for reporting dates of Form X submitted to the RBI under Section 27 of the Banking Regulation Act, 1949.

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

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

⁴ Productivity ratios are based on average employee number.

18.7 Asset liability management (ALM)

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31st March, 2021.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	5,124	5,983	7,417	4,620	11,265	11,537	51,603	1,17,587	2,89,170	27,537	7	5,31,850
Advances ^{2,3}	1,648	4,701	7,471	14,939	30,394	32,362	88,980	1,40,955	1,56,083	31,400	21,179	5,30,112
Investments	39,968	1,943	1,834	3,338	1,427	1,598	7,800	16,750	46,555	6,722	1	1,27,936
Borrowings ¹	-	-	1,800	-	-	833	12,863	18,645	74,017	30,910	975	1,40,043
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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(All amounts in ₹ Lakhs except otherwise stated)

The following table sets forth, the maturity pattern of assets and liabilities of the Bank as at 31st March, 2020.

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	1,122	6,963	5,231	8,630	9,535	17,833	84,471	63,473	2,61,692	6,422	21	4,65,393
Advances ^{3,4}	-	179	117	1,363	1,725	23,869	81,078	1,46,184	1,93,080	19,372	14,591	4,81,558
Investments	27,819	1,462	927	2,926	2,146	1,618	12,750	10,172	37,867	1,515	1,494	1,00,696
Borrowings ¹	-	-	3,675	-	-	2,438	16,104	18,986	62,113	23,500	10,000	1,36,816
Foreign currency assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Foreign currency liabilities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Notes:

- ¹ The above borrowings exclude interest accrued and due and interest accrued but not due.
- ² The advances comprise of portfolio loan and does not include interest accrued but not due.
- ³ Includes interest bearing loans only.
- ⁴ Classification of assets and liabilities under the different maturity buckets is based on the estimates and assumptions used by the Bank for compiling the structural liquidity statement submitted to the RBI. This has been relied upon by the auditor.
- ⁵ In view of the COVID-19 pandemic, the Reserve Bank of India announced measures to support the economy and the financial system. The measures permit banks to offer a moratorium or deferment on all term loans or working capital facilities outstanding as on 1st March, 2020. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows as on 31st March, 2020 on borrower accounts have been suitably adjusted for the moratorium given to customers by the Bank upto 31st May, 2020, based on the information available upto a point in time.

18.8 Segment reporting

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

a) Treasury

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

b) Corporate/Wholesale banking

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

c) Retail banking

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

d) Other banking operations

Other Banking operations include other items not attributable to any particular business segment.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities.

Geographical segments

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

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(All amounts in ₹ Lakhs except otherwise stated)

Business segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020
Revenue	10,335	9,492	2,157	3,316	1,25,349	1,08,764	-	-	1,37,841	1,21,572
Result	5,747	3,005	765	1,730	19,135	25,968	-	-	25,647	30,703
Unallocated expenses									11,005	10,430
Operating profit									14,642	20,273
Income taxes									3,328	5,928
Net profit									11,314	14,345
Other information:										
Segment assets	2,44,742	2,10,342	7,857	25,601	5,28,706	4,67,657	-	-	7,81,305	7,03,600
Unallocated assets									15,317	8,027
Total assets									7,96,622	7,11,627
Segment liabilities	45,550	57,230	2,983	10,307	6,36,735	5,43,525	-	-	6,85,268	6,11,062
Unallocated liabilities									1,11,354	1,00,565
Total liabilities									7,96,622	7,11,627

Note:

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

18.9 Related party disclosure

Description of relationship	Nature of relationship
i) Parties where control exists	
Fincare Business Services Limited ¹	Holding Company
ii) Key management personnel	
Mr. Rajeev Yadav	Managing Director and Chief Executive Officer
Mr. Keyur Doshi	Chief Financial Officer
Ms. Shefaly Kothari	Company Secretary
iii) Other related parties	
Mr. Rakesh Rai, Ms. Komal Keyur Doshi, Mr. Parth Keyur Doshi, Mr. Gopalbhai Doshi, Ms. Sarojben Doshi, Dr. Poonam Yadav, Mr. Viraj Yadav, Ms. Nysa Yadav, Ms. Saroj Khola and Mr. H S Khola.	Relatives of key management personnel

iv) The transactions with related parties during the year :

Nature of transaction	Relationship	31st March, 2021	31st March, 2020
Issue of equity shares			
Fincare Business Services Limited	Holding company	-	680
Securities premium on equity shares			
Fincare Business Services Limited	Holding company	-	8,265
Managerial remuneration/remuneration for KMP			
Mr. Rajeev Yadav	Key management personnel	295	391
Mr. Keyur Doshi	Key management personnel	121	125

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Nature of transaction	Relationship	31 st March, 2021	31 st March, 2020
Ms. Shefaly Kothari	Key management personnel	28	22
Term deposits made with the Bank			
Fincare Business Services Limited	Holding Company	6,765	1
Mr. Rajeev Yadav [₹ 3,000]	Key management personnel	-	6
Mr. Keyur Doshi	Key management personnel	-	-
Ms. Shefaly Kothari	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	229	84
Term deposits matured (inclusive of interest)			
Fincare Business Services Limited	Holding Company	6,771	1
Mr. Rajeev Yadav	Key management personnel	-	6
Mr. Keyur Doshi	Key management personnel	-	-
Ms. Shefaly Kothari	Key management personnel	-	3
Relative of key management personnel	Relative of key management personnel	40	23
Interest expense on term deposits			
Fincare Business Services Limited	Holding Company	6	-
Mr. Rajeev Yadav	Key management personnel	1	1
Mr. Keyur Doshi [₹ 12,542 (2020: ₹ 11,395)]	Key management personnel	-	-
Ms. Shefaly Kothari [2020 : ₹ 19,885]	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	28	10
Interest expense on Sub Debts			
Fincare Business Services Limited	Holding Company	4	316
v) Closing balance of the transactions with related parties :			
Nature of transaction	Relationship	31 st March, 2021	31 st March, 2020
Deposit balance (savings and term deposit)			
Mr. Rajeev Yadav	Key management personnel	7	8
Mr. Keyur Doshi	Key management personnel	2	2
Ms. Shefaly Kothari	Key management personnel	6	2
Relative of key management personnel	Relative of key management personnel	672	198
Interest expense payable on deposit balance (savings and term deposit)			
Mr. Rajeev Yadav	Key management personnel	-	-
Mr. Keyur Doshi	Key management personnel	-	-
Ms. Shefaly Kothari	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	-	-
Sub-debt payable			
Fincare Business Services Limited	Holding Company	-	1,869
Interest payable on Sub-debt			
Fincare Business Services Limited	Holding Company	-	5
Current account balance			
Fincare Business Services Limited	Holding Company	142	3

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vi) Maximum outstanding during the year:

Nature of transaction	Relationship	31 st March, 2021	31 st March, 2020
Deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	9,007	1
Mr. Rajeev Yadav	Key management personnel	11	25
Mr. Keyur Doshi	Key management personnel	27	30
Ms. Shefaly Kothari	Key management personnel	9	17
Relative of key management personnel	Relative of key management personnel	906	264
Interest expense payable on deposit balance (savings and term deposit)			
Fincare Business Services Limited	Holding Company	-	-
Mr. Rajeev Yadav [₹ 3,349 (2020: ₹ 15,123)]	Key management personnel	-	-
Mr. Keyur Doshi [₹ 1,746 (2020: ₹ 9,237)]	Key management personnel	-	-
Ms. Shefaly Kothari [₹ 6,555 (2020: ₹ 19,885)]	Key management personnel	-	-
Relative of key management personnel	Relative of key management personnel	6	-
Sub-debt payable			
Fincare Business Services Limited	Holding Company	1,869	2,884
Interest on Sub-debt payable			
Fincare Business Services Limited	Holding Company	4	162
Current account balance			
Fincare Business Services Limited	Holding Company	2,236	8,784

Note:

¹ Lok Management Services Private Limited (LMSPL) had applied to the Regional Director (South East Region), Ministry of Corporate Affairs (MCA), Hyderabad for amalgamation with Fincare Business Services Limited with an appointed date of 1st April, 2019. On obtaining the order dated 5th March, 2020 from the Regional Director (South East Region), MCA, LMSPL ceased to exist and has been merged with Fincare Business Services Limited.

18.10 Concentration of deposits, advances, exposures and NPAs

A. Concentration of deposits

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Total deposits of twenty largest depositors	86,141	84,019
Percentage of deposits of twenty largest depositors to total deposits of the Bank	16.20%	18.05%

B. Concentration of advances

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Total advances to twenty largest borrowers	8,923	20,789
Percentage of advances to twenty largest borrowers to total advances of the Bank	1.48%	3.94%

C. Concentration of exposures

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Total exposure to twenty largest borrowers / customers	8,923	20,789
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	1.48%	3.94%

D. Concentration of NPAs

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Total exposure to top four NPA accounts	1,085	100

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E. Movement of non-performing assets¹

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
(i). Movement of non-performing assets (Gross)		
Opening Balance	4,472	3,589
Additions: Fresh NPAs during the year	35,712	7,433
Sub total (A)	40,184	11,022
Less :		
(i) Upgradations	1,289	1,593
(ii) Recoveries (excluding recoveries made from upgraded accounts)	143	413
(iii) Technical / Prudential Write offs	3,393	4,544
(iv) Write offs other than those under (iii) above	-	-
Sub-total (B)	4,825	6,550
Closing balance (A-B)	35,359	4,472
(ii). Movement in technical /prudential write off		
Opening balance of Technical / Prudential written off accounts as at 1 st April	17,814	13,433
Add : Technical / Prudential write offs during the year	3,393	4,544
Sub total (A)	21,207	17,977
Less : Recoveries made from previously technical / prudential written off accounts during the year (B)	170	163
Closing balance as at 31st March (A-B)	21,037	17,814

¹ Non performing assets include only non performing advances as on 31st March, 2021 and 31st March, 2020.

18.11 Sector-wise advances

Sector ¹	As at 31 st March, 2021			As at 31 st March, 2020		
	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to total advances in that sector
A. Priority Sector						
Agriculture and allied activities	2,98,015	18,485	6.20%	2,79,526	2,089	0.75%
Small & Marginal Farmer	2,37,469	14,829	6.24%	2,38,561	1,135	0.48%
Agriculture-Others	60,546	3,656	6.04%	40,965	954	2.33%
Advances to industries sector eligible as priority sector lending	92	10	10.87%	105	27	25.71%
Services	52,885	7,371	13.94%	95,583	847	0.89%
Personal loans and others	1,20,267	3,335	2.77%	30,916	305	0.99%
Sub-total (A)	4,71,259	29,201		4,06,130	3,268	
B. Non Priority Sector						
Agriculture and allied activities	2,349	55	2.34%	7	-	0.00%
Industry	1,158	17	1.47%	143	5	3.50%
Services	5,161	93	1.80%	1,030	29	2.82%
Personal loans	70,703	5,993	8.48%	76,745	1,170	1.52%
Sub-total (B)	79,371	6,158		77,925	1,204	
Total (A+B)	5,50,630	35,359		4,84,055	4,472	

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

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18.12 Liquidity coverage ratio

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

Particulars	Quarted ended 30 th June, 2020		Quarted ended 30 th September, 2020		Quarted ended 31 st December, 2020		Quarted ended 31 st March, 2021		Quarted ended 31 st March, 2020	
	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)
1) Total High Quality Liquid Assets (HQLA)	NA	2,05,342	NA	1,79,376	NA	2,03,219	NA	1,97,469	NA	1,41,872
Cash outflows	-	-	-	-	-	-	-	-	-	-
2) Retail deposits and deposits from small business customers, of which:										
- Stable deposits	-	-	-	-	-	-	-	-	-	-
- Less stable deposits	2,49,097	24,910	2,75,474	27,547	2,91,730	29,173	3,07,689	30,769	2,08,637	20,864
3) Unsecured wholesale funding, of which:										
- Operational deposits (all counterparties)	59,631	59,631	81,113	81,113	68,190	68,190	65,327	65,327	56,374	56,374
- Non operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
- Unsecured debt	-	-	-	-	-	-	-	-	-	-
4) Secured wholesale funding	30,345	3,824	28,431	10,395	20,639	2,853	18,091	6,417	16,603	5,010
5) Additional requirements, of which	-	-	-	-	-	-	-	-	-	-
- Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-	-	-
- Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
- Credit and liquidity facilities	2,731	334	5,963	298	6,783	339	2,585	129	2,647	576
6) Other contractual funding obligations	-	-	-	-	-	-	-	-	-	-
7) Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-
8) Total Cash Outflows	N.A.	88,699	N.A.	1,19,353	N.A.	1,00,555	N.A.	1,02,642	N.A.	82,824
Cash Inflows										
9) Secured lending (e.g. reverse repos)	1,27,268	-	68,006	-	91,104	-	80,811	-	73,102	-
10) Inflows from fully performing exposures	1,742	871	5,071	2,535	27,133	13,566	36,666	18,333	25,776	12,888

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Particulars	Quarted ended 30 th June, 2020		Quarted ended 30 th September, 2020		Quarted ended 31 st December, 2020		Quarted ended 31 st March, 2021		Quarted ended 31 st March, 2020	
	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)	Total Unweighted Value* (average)	Total Weighted Value* (average)
11) Other cash inflows	2,746	2,746	13,295	13,295	3,983	3,983	2,494	2,494	5,876	5,876
12) Total Cash Inflows	1,31,756	3,617	86,372	15,830	1,22,220	17,549	1,19,971	20,827	1,04,754	18,764
13) Total HQLA	N.A.	2,05,342	N.A.	1,79,376	N.A.	2,03,219	N.A.	1,97,469	N.A.	1,41,872
14) Total Net Cash Outflows	N.A.	85,082	N.A.	1,03,523	N.A.	83,006	N.A.	81,815	N.A.	64,060
15) Liquidity Coverage Ratio (%)	N.A.	241.35%	N.A.	173.27%	N.A.	244.83%	N.A.	241.36%	N.A.	221.47%

*The disclosure is arrived taking into account simple average of each of the line item of LCR components over 90 days of each quarter of year ended 31st March, 2021 and 31st March, 2020. In computing the above information, certain assumptions and estimate have been made by the management which have been relied upon by the auditor.

Qualitative Disclosure around LCR

(a) the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The Bank has adopted the Basel III framework on liquidity standards as prescribed by the RBI for reporting LCR. The objective of LCR is to ensure that the Bank maintains an adequate stock of unencumbered HQLA to survive a significant liquidity stress lasting for a period of 30 days.

(b) intra period changes as well as changes over time

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net cash outflows over a stressed 30 calendar day period as per the RBI Guidelines. Minimum LCR requirement for small finance banks is 100% by 1st January, 2021 and 90% by 1st January, 2020.

The excess SLR has been reckoned in HQLA over and above the mandatory basis market value with effect from 1st October, 2018 on a conservative basis.

(c) the composition of HQLA

HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by the RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The net cash outflows are calculated by applying the RBI prescribed outflow factors to the various categories of liabilities (deposits, borrowings including grandfathered borrowings), as well as contingent liabilities, partially offset by inflows from assets maturing within 30 days.

(d) concentration of funding sources

The major sources of funding is term deposits by retail customers as well as corporate and financial institutions, refinance borrowings, securitization and IBPC.

Reason for LCR in excess of minimum regulatory requirement are as follows:

The LCR percentage is above the minimum threshold prescribed for Small Finance Banks which indicates comfortable liquidity profile.

* As per the RBI guidelines, the minimum LCR required to be maintained by small finance bank shall be implemented in a phased manner from 1st January, 2018 as given below:

Year	Till 31 st December, 2017	By 1 st January, 2018	By 1 st January, 2019	By 1 st January, 2020	By 1 st January, 2021
Min LCR	60%	70%	80%	90%	100%

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(e) derivative exposures and potential collateral calls

Not applicable

(f) currency mismatch in the LCR

Not applicable

(g) a description of the degree of centralisation of liquidity management and interaction between the group's units

Not applicable

(h) other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile

Not applicable

18.13 Exposures

A. Exposure to Real Estate Sector

The Bank has an exposure of ₹ 8,295 Lakhs as at 31st March, 2021 (31st March, 2020 : ₹ 2,034 Lakhs) to Real Estate Sector.

B. Exposure to capital market

As at 31st March, 2021 and 31st March, 2020, the Bank does not have any exposure to capital market.

C. Risk category wise country exposure

The Bank's exposures are concentrated in India only, hence country risk exposure as at 31st March, 2021 and 31st March, 2020 is 'Nil'.

D. Details of single borrower limit (SGL) / group borrower limit (GBL) exceeded by the Bank

During the year ended 31st March, 2021 and 31st March, 2020, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed under the extant RBI guidelines.

E: Unsecured advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The unsecured advances of ₹ 409,041 Lakhs (31st March, 2020: ₹ 376,959 Lakhs) disclosed in Schedule 9B (iii) are without any collateral or security.

F. Intra group exposure

The Bank does not have any intra group advances, hence intra group exposure as at 31st March, 2021 and 31st March, 2020 is 'Nil'.

18.14 Disclosure of Penalties imposed by the RBI

No penalties have been levied on the Bank by the RBI during the year ended 31st March, 2021.

A penalty of ₹ 1 Lakhs had been levied on the Bank by the RBI vide penalty order PDO.NDS.Bounce 980/08.03.000/2019-20 dated 26th December, 2019 on account of a single instance of SGL bounce occurred on 10th December, 2019. Appropriate control measures were taken by the Bank internally to prevent such instances from recurrence.

18.15 Employee benefits

A. Gratuity

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

The following tables summarise the components of net benefit expense recognised in the Profit and Loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
The amounts recognised in the Profit and Loss account are as follows:		
Service cost	328	317
Interest cost	61	45
Expected return on plan assets	(49)	(29)
Net actuarial gain on plan assets	(177)	109
Past service cost	1	(1)
Expense recognised in the Profit and Loss account	164	443

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(All amounts in ₹ Lakhs except
otherwise stated)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	1,186	1,058
Fair value of plan assets as at the end of the year	1,039	647
Net liability recognised in the Balance Sheet	147	411
Changes in the present value of defined benefit obligation:		
Defined benefit obligation at the beginning of the year	1,058	611
Service cost	328	317
Interest cost	61	45
Actuarial gain	(177)	118
Benefits paid	(84)	(33)
Defined benefit obligation at the end of the year	1,186	1,058
Changes in the fair value of plan assets:		
Fair value at the beginning of the year	647	143
Expected return on plan assets	49	29
Actuarial Gain/(loss)	(0)	9
Contributions	390	500
Employer direct benefit payments	38	-
Benefits paid	(84)	(33)
Admin expenses/taxes paid from plan assets	(1)	(1)
Fair value as at the end of the year	1,039	647
Assumptions used in the above valuations are as under:		
Discount rate	6.67%	6.03%
Expected return on plan assets	6.03%	7.62%
Future salary increase	10.00%	11.00%
Attrition rate	30.00%	30.00%
Retirement age (years)	60 Yrs	60 Yrs

Experience adjustments:

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020	Year ended 31 st March, 2019	Year ended 31 st March, 2018	Year ended 31 st March, 2017
Defined benefit obligation	1,186	1,058	611	327	200
Plan assets	1,039	647	143	144	135
Excess/(Deficit)	147	411	468	183	65
Experience adjustments on liabilities - gain / (loss)	22	1	(12)	30	(33)
Experience adjustments on assets - (gain) / loss	(1)	(9)	1	(7)	(1)

B. Defined contribution plan

The Bank makes contributions to the statutory provident fund as per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per Accounting Standard (AS) 15. Contributions made during the year ended 31st March, 2021 amounted to ₹ 1,278 Lakhs (31st March, 2020 : ₹ 1,067 Lakhs).

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C. Compensated absences

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at 31st March, 2021 is ₹1,020 lakhs (31st March, 2020 : ₹755 lakhs).

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Assumptions used in the above valuations are as under:		
Discount rate	6.67%	6.03%
Future salary increase	10.00%	11.00%

18.16 Provision and contingencies

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

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Provision for income tax		
- current tax	5,960	7,919
- deferred tax (credit) (refer schedule 18.30)	(2,632)	(3,050)
- MAT credit entitlement	-	1,059
Provision for standard assets	(2,979)	9,353
Provision for non-performing assets (includes bad debts written off ₹ 3,393 Lakhs (31 st March, 2020: ₹ 4,544 Lakhs)	21,130	4,407
Provision for depreciation in value of investments	-	-
Provision for restructured assets (refer schedule 18.4B)	3,814	(6)
Provision for unhedged foreign currency exposure	-	-
Provision for country risk	-	-
Provision for other contingencies	(99)	(218)
	25,194	19,464

18.17 Floating provision

During the year ended 31st March 2021 and 31st March, 2020, the Bank has not created any floating provision.

18.18 Draw down from reserves

During the year ended 31st March, 2021 and 31st March, 2020, there were no drawdown from reserves.

18.19 Disclosure of complaints

A. Customer compliants

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
(a) No. of complaints pending at the beginning of the year	39	7
(b) No. of complaints received during the year	418	501
(c) No. of complaints redressed during the year	451	469
(d) No. of complaints pending at the end of the year	6	39

B. Awards passed by the Banking Ombudsman

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the Banking Ombudsmen during the year	4	-
(c) No. of awards implemented during the year	3	-
(d) No. of unimplemented awards at the end of the year	1	-

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C. ATM related complaints

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
(a) No. of complaints pending at the beginning of the year	2	-
(b) No. of complaints received during the year	113	104
(c) No. of complaints redressed during the year	115	102
(d) No. of complaints pending at the end of the year	-	2

The above information is as certified by the Management and relied upon by the auditors.

18.20 Letter of comfort

The Bank has not issued letter of comfort during the year ended 31st March, 2021 and 31st March, 2020.

18.21 Insurance business

The fees or commission earned in respect of insurance/mutual fund broking business.

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Income for selling life insurance policies	794	596
Income from selling non-life insurance policies	65	31
Income from selling mutual fund product	-	-

18.22 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas assets / NPAs as at 31st March, 2021 and 31st March, 2020 and also 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 as on 31st March, 2021 and 31st March, 2020.

18.24 Disclosure on Remuneration

A) Qualitative Disclosures

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

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

As on 31st March, 2021, the NRC had four members of which three are Independent Directors. The functions of the committee include recommendation of appointment of Directors to the Board, evaluation of the performance of the Directors, approve remuneration for Directors, Key Management Personnel (KMP) viz. Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary, as well as senior management personnel viz. Material Risk Takers (MRT) of the Bank.

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

The Bank did not take any advise from an external consultant on any area of remuneration for the year ended 31st March, 2021

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

The Compensation Policy of the Bank, approved by the Board on 16 June 2020, pursuant to the guidelines issued by RBI covers all employee of the Bank.

Type of employees covered and number of such employees

All permanent employees of the Bank, categorised into Whole Time Directors, Chief Executive Officer, MRT, Control function staff and Others, are covered under the policy. The total number of permanent employees of the Bank as at 31st March, 2021 were 8,385.

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(b) Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework. The Compensation policy is aligned to the guidelines issued by the RBI vide notification RBI/2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated 04th November, 2019 (the RBI guidelines).

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

- i. ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.
- ii. ensure that a reasonable balance is maintained in terms of composition of remuneration, both,
 - a. performance-linked - fixed and variable components
 - b. time horizon linked – immediate and long term retention components
- iii. Ensure that remuneration is linked to nature of role played by the individual in the Bank (i.e., Whole Time Directors, Chief Executive Officer, MRT, Control function staff or Others)

Effective governance of compensation: The NRC has oversight over compensation to KMP as well as MRT.

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

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has designed the remuneration composition based on role of the individual in the Bank.

- For Whole Time Directors, Chief Executive Officer and MRT, a balanced combination of fixed and variable pay (immediate and deferred) is used.
- For Control function staff and Others, the predominant component is fixed pay and variable pay is used for rewarding performance.

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

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board/NRC has been appraised of the Bank's remuneration policy. The policy was revised in June, 2020, to bring the same in line with the RBI guidelines and approved by the NRC / Board.

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

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

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

Overview of the nature and type of key measures used to take account of these risks, including risks difficult to measure: The evaluation process incorporates both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and continuity of key members of senior management.

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

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

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otherwise stated)

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

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

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

(e) Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: As per policy, in general, 40% of non cash variable pay (wherever applicable) and cash variable pay (where it exceeds a specified threshold) of any employee of the Bank shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement. The deferral period shall be for three years from the end of performance period. The deferral shall be on a pro-rata basis i.e. 1/3rd of deferred component and shall vest at the end of each year for the next three years. Vesting shall take place on a yearly basis after a proper assessment of performance by the NRC and adjustments can be made based on actual results.

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

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

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

(f) Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms

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

The forms of variable remuneration used by the Bank are:

a. Performance Incentives – used for rewarding teams (primarily Business functions) for business growth, customer count/satisfaction, asset quality, audit score etc.

b. Performance Pay – used for rewarding performance against quarterly/yearly goals/key risk areas.

c. Share-linked Instruments - As per the Compensation policy of the Bank, variable pay shall have a mix of cash and non cash components for Whole Time Directors, Chief Executive Officer and MRT. For other employees, eligibility for non cash variable pay shall be determined by the NRC on a case to case basis. The non cash component shall be in the form of Stock Options.

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d. Long Term Retention Bonus (LTRB) – a tool for retention and improved morale - While short-term retention bonus plan continues to be in use, LTRB is discontinued w.e.f. 1st March, 2019.

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

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
a) i - Number of meetings held by the Remuneration Committee during the year	Twelve	Nine
ii - remuneration paid to its members.	Nil	Nil
b) Number of employees having received a variable remuneration award during the year.	15 employees received Performance pay and 1 employee was granted employee stock options.	16 employees received Performance pay
c) Number and total amount of sign on awards made during the financial year	Nil	Nil
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
e) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
f) Total amount of outstanding deferred remuneration		
- Cash (₹ in Lakhs)	207	Nil
- Shares	Nil	Nil
- Share linked instruments (ESOPs)	1,23,484	Nil
- Others	Nil	Nil
g) Total amount of deferred remuneration paid out during the year	Nil	Nil
h) Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred.		
- Fixed pay	1,437	1,421
- Variable pay		
- Non deferred ¹ (₹ in Lakhs)	156	274
- Deferred ² (ESOPs)	1,23,484	Nil
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
j) Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil	Nil
k) Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil	Nil
l) Number of MRTs identified ^{3 4}	18	17
m) Number of cases where malus has been exercised ⁴	Nil	NA
n) Number of cases where clawback has been exercised ⁴	Nil	NA
o) Number of cases where both malus and clawback have been exercised ⁴	Nil	NA
p) The mean pay for the bank as a whole (excluding sub-staff) ^{4, 5}	3.39	NA
q) Deviation/Ratio of the pay of Managing Director from/to the mean pay ^{4, 5} (₹ in Lakhs/ times)	285/85.13X	NA

Notes

¹ Details pertain to remuneration awards for the financial years ended 31st March, 2020 and 31st March, 2019 awarded during the financial years ended 31st March, 2021 and 31st March, 2020 respectively. Remuneration award for the financial year ended 31st March, 2021 are yet to be reviewed and approved by the NRC.

² The Bank had granted 48,188 options as at 29th March, 2019 and 75,296 options as at 22nd January, 2020 to MD & CEO which has been accounted during the year after due approval received from the RBI. Further, the Bank has granted 187,500 options as at 7th December, 2020 to MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

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

⁴ Reporting for these clauses is effective from 1st April, 2020.

⁵ Amount includes fixed pay and variable paid during the year but does not include value of ESOPs.

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18.25 Employee Share Based Payments:

ESOP-2018-FSFB Plan:

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

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

a) The details of activity under ESOP-2018-FSFB Plan have been summarised below:

	Year ended 31 st March, 2021		Year ended 31 st March, 2020	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year *	1,23,484	280.85	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of the year	1,23,484	280.85	-	-
Out of the above exercisable at the end of the year	40,750	280.85	-	-

* The Bank had granted 48,188 options as at 10th May, 2019 and 75,296 options as at 22nd January, 2020 to the MD & CEO which has been accounted during the year after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Further, the Bank has granted 187,500 options on 7th December, 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in the financial statements.

b) The details of exercise price for stock options outstanding at the end of the year are:

Range of exercise prices	No. of options outstanding	Weighted average remaining contractual life of options (years)	Weighted average exercise price (₹)
261-270	48,188	2.77	265.00
271-280	-	-	-
281-290	-	-	-
291-300	75,296	3.36	291.00
	1,23,484		

c) Fair value of Employee stock options

The fair value of the options is estimated using Black-Scholes options pricing model. The following table lists the inputs to the model used for determining fair value of the options.

	Year ended 31 st March, 2021
Weighted average exercise price (₹)	280.85
Weighted average share price (₹)	280.85
Expected volatility	33.50% - 36.40%
Life of the options granted (Vesting and exercise period)	
- At the grant date	3.50 yrs - 5.50 yrs
Risk free interest rate	6.48% - 7.19%
Expected Dividend rate	-

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As Fincare Small Finance Bank Limited is an unlisted company, so the Bank calculated the expected annual volatility of stock price using stock price volatility information of other peers from BSE for the latest historical period as per time to maturity.

d) Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

For the year ended 31 st March, 2021	Amount (₹)
Total employee compensation cost pertaining to share-based payment plans	100
Compensation cost pertaining to equity-settled employee share-based payment plan included above	100
Liability for employee stock options outstanding as at year end	100

18.26 Disclosures relating to securitisation

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
a) No of SPVs sponsored by the Bank for securitisation transactions	9	11
b) Total amount of securitised assets as per books of the SPVs sponsored by the Bank	5,740	6,668
c) Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
i) Off-balance sheet exposures		
First loss	-	305
Others	-	-
ii) On-balance sheet exposures		
First loss	327	1,055
Others	-	-
d) Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	-
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposures to own securitisation		
First loss	-	-
Others	-	477
(ii) Exposures to third party securitisation		
First loss	-	-
Others	-	-

18.27 Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended 31st March, 2021 and 31st March, 2020.

18.28 Depositor Education and Awareness Fund

During the year ended 31st March, 2021 and 31st March, 2020 no amount has been transferred to Depositor Education and Awareness Fund.

18.29 Unhedged Foreign currency Exposure

The Bank does not have any unhedged foreign currency exposure as at 31st March, 2021 and 31st March, 2020.

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otherwise stated)

18.30 Deferred tax assets

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Deferred tax asset arising on:		
Depreciation and amortisation	465	333
Provision for employee benefits:		
Compensated absences	257	190
Gratuity	58	103
Long Term Retention Bonus (LTRB)	103	49
Deferred rent	-	1
Provision on portfolio loans	5,759	3,299
Others	9	44
	6,651	4,019

18.31 Operating leases

The Bank's significant leasing arrangements are in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the Profit and Loss Account.

Head office, registered office and branch office premises are obtained on operating lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause; however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Bank have non-cancellable lease arrangements and the minimum lease payments for such arrangements during the non-cancellable period have been disclosed below.

Lease payments during the year are charged to the Profit and Loss Account.

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Lease payments recognised in the profit and loss account.	2,669	2,236

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due	As at 31 st March, 2021	As at 31 st March, 2020
Within one year	218	149
Later than one year but not later than five years	423	213
Later than five years	177	28

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18.32 Micro small and medium enterprises

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
i) Principal amount remaining unpaid (but within due date as per the MSMED Act)	39	46
ii) Interest due thereon remaining unpaid	-	-
iii) Interest paid by the Bank in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
v) Interest accrued and remaining unpaid	-	-
vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act, 2006'. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

18.33 Disclosure of provision for fraud

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Number of frauds reported during the year to the RBI	35	47
Amount involved in such frauds	859	48
Provision made during the year (net of recovery)	836	38
Unamortised provision debited from other reserves	-	-

18.34 Earnings per equity share

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Net profit attributable to equity shareholders	11,314	14,345
Weighted average number of shares outstanding during the year used for computing basic earnings per share (nos)	6,36,10,481	5,87,05,378
Weighted average number of shares outstanding during the year used for computing Diluted earnings per share (nos)	6,36,10,481	NA
Basic earnings per share	17.79	24.43
Diluted earnings per share	17.79	24.43

18.35 Inter-Bank Participation Certificate (IBPC) transactions

During the year, the Bank has sold its advances through IBPCs. The details are as follows:

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
i) Aggregate value of IBPCs transaction during the year ¹	80,450	82,780
ii) Aggregate consideration received	80,450	82,780
iii) Aggregate gain recorded	-	-
iv) IBPCs outstanding	52,450	43,680

¹ aggregate value of the own portfolio pool identified for IBPC transaction ₹ 201,125 Lakhs (2020 : ₹ 206,950 Lakhs).

Schedule 18 - Notes to the financial statements

(All amounts in ₹ Lakhs except
otherwise stated)

18.36 Corporate social responsibility (CSR)

a) Gross amount required to be spent by the Bank during year ended 31st March, 2021 is ₹ 149 Lakhs (31st March, 2020: ₹ 22 Lakhs) under section 135 of the Companies Act, 2013.

b) Amount spent during the year on:

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	149	-	149
	149	-	149

Amount spent during the previous year on:

Particulars	In cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) On purpose other than (i) above	38	-	38
	38	-	38

18.37 Priority Sector Lending Certificate (PSLC) Income

During the year ended 31st March, 2021, the Bank sold PSLCs amounting to ₹ 7,500 Lakhs (2020 : ₹ 20,000 Lakhs) under agriculture category, ₹ 257,500 Lakhs (2020: ₹ 235,200 Lakhs) under small and marginal farmers category and Nil (2020 : ₹ 10,100 Lakhs) under Micro enterprises category. The income earned on the PSLCs sold during the year is ₹ 4,096 Lakh (2020 : ₹ 4,338 Lakhs).

As per our report of even date

For **Walker Chandiok and Co. LLP**
Chartered Accountants
Firm Registration No: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
Mumbai
14th June, 2021

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

Rajeev Yadav
MD and CEO
DIN: 00111379
Bengaluru
14th June, 2021

Pramod Kabra
Director
DIN: 02252403
Mumbai
14th June, 2021

Vinay Baijal
Director
DIN: 07516339
Mumbai
14th June, 2021

Keyur Doshi
Chief Financial Officer
Baroda
14th June, 2021

Shefaly Kothari
Company Secretary
M No. F7698
Bengaluru
14th June, 2021

The Annual Report is a voluminous document and every year, substantial efforts are made to ensure that the data provided is accurate, transparent and relevant. Despite our best efforts, it is possible that minor typographical or other errors exist within the document. Please excuse any such oversights and we request the reader to draw our attention to these errors by mailing us at marketing@fincarebank.com



fincare
Small Finance Bank

REGISTERED OFFICE

301-306, 3rd Floor, Abhijeet - V
Opposite Mayor Bungalow
Near Law Garden, Mithakhali
Ahmedabad - 380006

M: +91-79-40011000

CORPORATE OFFICE

5th Floor, Bren Mercury
Sarjapur Main Road
Kaikondanahalli
Bangalore - 560035

M: +91-80-42504444

www.fincarebank.com