

Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Financial Results of the Bank Pursuant to Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

**Review Report to
The Board of Directors
Fincare Small Finance Bank
5th Floor, Bren Mercury
Kaikondanahalli, Sarjapur Main Road
Bengaluru, 560035**

1. We have reviewed the accompanying statement of unaudited financial results of Fincare Small Finance Bank (the "Bank") for the quarter ended September 30, 2021 and year to date from April 01, 2021 to September 30, 2021 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Bank's Management and approved by the Bank's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, "Interim Financial Reporting" (AS 25) prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the relevant guidelines and directions issued by Reserve Bank of India (the "RBI Guidelines") and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Accounting Standards (AS) specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the RBI Guidelines and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.
5. We draw attention to note 5 of the accompanying statement, which describes the extent to which the Covid-19 pandemic may impact the Bank's operations and financial metrics including provisions which are dependent on uncertain future developments. Our conclusion is not modified in respect of this matter.

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

6. The figures for the previous quarter ended September 30, 2020, and figures for the net cash outflow for the corresponding period from April 1, 2020 to September 30, 2020, as reported in these unaudited financial results have been approved by the Bank's Board of Directors, but have not been subjected to a review or audit.
7. The comparative financial information of the Bank for the preceding quarter ended June 30, 2021 and corresponding year to date figures for six months period ended September 30, 2020, included in these financial results, were audited and reviewed respectively by the predecessor auditor who expressed an unmodified opinion dated August 14, 2021 and unmodified conclusion dated November 11, 2020 respectively. The financial statements of the Bank for the year ended March 31, 2021 were also audited by predecessor auditor who expressed an unmodified opinion dated June 14, 2021.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per Sarvesh Warty

Partner

Membership No.: 121411

UDIN: 21121411AAACEM9174

Place: Mumbai

Date: November 13, 2021



Fincare Small Finance Bank Limited

Unaudited Profit and Loss account for the quarter and half year ended 30 September 2021

(All amounts in ₹ lakhs except otherwise stated)

Particulars	Quarter ended 30 September 2021	Quarter ended 30 June 2021	Quarter ended 30 September 2020	Half year ended 30 September 2021	Half year ended 30 September 2020	Year ended 31 March 2021
	Un-audited	Audited	Un-audited	Un-audited	Un-audited	Audited
I. Income						
Interest earned	34,532	33,606	31,518	68,138	64,045	125,103
Other income	4,616	2,716	1,860	7,332	3,019	12,568
Total income	39,148	36,322	33,378	75,470	67,064	137,671
II. Expenditure						
Interest expended	14,274	13,926	13,940	28,200	28,464	55,009
Operating expenses	15,701	13,795	10,614	29,496	21,259	46,324
Provision and contingencies	8,386	6,871	3,815	15,257	8,297	25,024
Total expenditure	38,361	34,592	28,369	72,953	58,020	126,357
III. Profit						
Net profit for the period/year	787	1,730	5,009	2,517	9,044	11,314
Balance in profit and loss brought forward from previous year						14,345
Total profit	787	1,730	5,009	2,517	9,044	25,659
Earnings per equity share of ₹10 each						
Basic (₹)	0.34	0.76	2.46	1.10	4.43	5.55
Diluted (₹)	0.34	0.76	2.46	1.10	4.43	5.55
Face value per share (₹)	10.00	10.00	10.00	10.00	10.00	10.00

Unaudited Balance Sheet as at 30 September 2021

(All amounts in ₹ lakhs except otherwise stated)

Particulars	As at 30 September 2021	As at 31 March 2021
	Un-Audited	Audited
Capital and liabilities		
Capital	22,078	6,361
Employees stock options outstanding	325	100
Reserves and surplus	99,101	95,330
Deposits	574,580	531,850
Borrowings	186,546	140,043
Other liabilities and provisions	30,344	22,938
Total Capital and Liabilities	912,974	796,622
Assets		
Cash and balances with Reserve Bank of India	62,426	103,650
Balances with banks and money at call and short notice	2,059	11,913
Investments	201,322	127,936
Advances	609,859	530,112
Fixed assets	3,796	3,619
Other assets	33,512	19,392
Total Assets	912,974	796,622

FINCARE SMALL FINANCE BANK LIMITED

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CIN: U67120GJ1995PLC025373

Fincare Small Finance Bank Limited
Unaudited Cash Flow Statement for the half year ended 30 September 2021

(All amounts in ₹ lakhs except otherwise stated)

Particulars	Half year ended 30 September 2021	Half year ended 30 September 2020
	Un-Audited	Un-Audited
A. Cash flows from operating activities:		
Profit before tax	3,256	11,734
Adjustments for :		
Depreciation and amortisation expenses	754	840
Employee Stock Option Compensation	226	-
Amortisation of premium on SLR investments in HTM category	474	289
(Profit)/loss on disposal of fixed assets	(0)	0
Loan portfolio written off	10,445	2,697
Provision for Advances	4,286	3,087
Provision for other contingencies	8	(274)
Provision for Investments	11	(2)
Cash Flows from Operating activities before adjustments	19,460	18,371
Adjustments for :		
Increase in deposits	42,730	60,511
Increase/(decrease) in other liabilities	6,759	5,212
(Increase) in investments (net)	(73,871)	(29,555)
(Increase) in advances	(93,839)	(13,768)
(Increase)/decrease in fixed deposits	998	354
(Increase) in other assets	(11,094)	(19,544)
Cash generated from operating activities	(108,857)	21,581
Refund/(Payment) of direct taxes(Including Tax Deducted at Source)	(3,767)	(1,604)
Net cash generated from operating activities	(112,624)	19,977
B. Cash flows generated from / (used in) investing activities:		
Purchase of fixed assets	(933)	(372)
Proceeds from sale of fixed assets	3	1
Proceeds from term money lending	3,999	-
Net cash (used in)/ generated from investing activities	3,069	(371)
C. Cash flows generated from / (used in) financing activities:		
Proceeds from issue of equity shares	16,971	-
Proceeds from borrowing under the LAF segment	54,000	-
Proceeds from loans availed from banks and financial institutions	8,000	2,500
Repayment of loans availed from banks and financial institutions	(15,496)	(22,050)
Repayment of borrowing under the LAF segment	-	(4,700)
Net cash generated from financing activities	63,475	(24,250)
Net increase in cash and cash equivalents during the half year ended (A+B+C)	(46,080)	(4,644)
Cash and cash equivalents at the beginning of the period	110,284	107,526
Cash and cash equivalents at the end of the period¹	64,204	102,882

¹ Includes cash and bank balances with Reserve Bank of India , balances with Banks in current account and money at call and short notice as on 30 september 2021 and 30 September 2020.

Notes

- ¹ The above financial results for the quarter and half year ended September 30, 2021 have been reviewed by the Audit Committee and recommended for approval to and approved by the Board of Directors at its meeting held on November 13, 2021. An unmodified report has been issued by S.R. Batliboi & Associates LLP for the quarter and half year ended September 30, 2021.
- ² "Other Income" includes income from non-fund based activities such as brokerage and commission, profit / loss on sale of investments (net), profit / loss on revaluation of investment (net) and income from sale of Priority Sector Lending Certificates.
- ³ During the quarter and half year ended September 30, 2021, the Bank has granted stock options of 18,87,680 shares under Employee Stock Option Scheme.
- ⁴ During the half year ended September 30 2021, the Bank has infused capital including premium amounting to ₹ 16,971 lakhs owing to a rights issue and ₹ 14,719 lakhs pursuant to bonus issue of equity shares.
- ⁵ The second wave of the Covid-19 pandemic in April-May 2021 led to the re-imposition of localised/regional lock down measures in various parts of the country. In the absence of regulatory dispensations like moratorium on loan repayments and standstill on asset classification, the impact on the quality of the loan portfolio would likely be sharper and earlier during the financial year ended 31 March 2022. The second wave has started to subside from June 2021 onwards and there has been a gradual lifting of lock downs, resulting in an increase in economic activity.

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 highly uncertain at this time. 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.

(i) Details of resolution plan implemented under the RBI Resolution Framework - 1.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated August 6, 2020 are given below:

(₹ in lakhs)					
Part-A					
Type of borrower	(A) Number of accounts where resolution plan has been implemented under this	(B) Exposure to accounts mentioned at (A) before implementation of the plan**	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	73,036	10,201	-	8,410	4,167
Total	73,036	10,201	-	8,410	4,167
*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016					
** This amount does not include interest accrued as on the date of implementation of the plan.					

(₹ in lakhs)					
Part-B					
Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)* ²	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ³
Personal Loans	-	-	-	-	-
Corporate persons* ¹	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	11,097	6,639	-	2,062	8,107
Total	11,097	6,639	-	2,062	8,107
*1 As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016					
*2 Balances as on 31 March 2021					
*3 Balances as on 30 September 2021					

(ii) Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated May 5, 2021 are given below:

(₹ in lakhs)		
Particulars	Small Business	Individual Borrowers
(a) Number of requests received for invoking resolution process	-	62,882
(b) Number of accounts where resolution plan has been implemented under this window	-	62,882
(c) Exposure to accounts mentioned at (B) before implementation of the plan	-	14,776
(d)) Of (C), aggregate amount of debt that was converted into other securities	-	-
(e) Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	-
(f) Increase in provisions on account of the implementation of the resolution plan	-	144



(iii) Higher provision for COVID 19

The Bank held an aggregate Covid-19 related provision of ₹ 5,908 lakhs as at 31 March 2021. Further, the Bank made Covid-19 related provision amounting to ₹ 11,361 lakhs for the period ended 30 September 2021. As at 30 September 2021, the Bank held an aggregate Covid-19 related provision of ₹ 4,568 lakhs (included in General provision for standard assets) after utilisation towards Covid-19 related delinquencies.

6 The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), has directed that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank has not classified any account which was not NPA as of August 31, 2020, as NPA for the period ended September 30, 2020.

However, if the Bank had classified borrower accounts as NPA after August 31, 2020, the Bank's proforma Gross NPA ratio and proforma Net NPA ratio would have been 0.56% and 0.39% respectively for the period ended September 30, 2020.

The Honourable Supreme Court of India vacated the interim relief granted not to declare accounts of borrower as NPA vide its judgement on March 23, 2021 and the Bank continued asset classification of borrower accounts as per the extant RBI instructions /IRAC norms.

7 The amounts/ratios for the period / year have been regrouped / reclassified pursuant to the requirements of 'Master Direction on Financial Statements - Presentation and Disclosures' issued by RBI date August 30, 2021 and wherever considered necessary. Accordingly, recoveries from written off accounts hitherto included as part of 'Other Income' have been classified as a credit to 'Provision and Contingencies'; there is no change in the Net Profit for the period.

8 These un-audited financial results are prepared in compliance with the generally accepted accounting principles in India (Indian GAAP), statutory requirements prescribed under Banking Regulations Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('the RBI') from time to time and Regulation 52 of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) 2015.

9 The Code on Social Security, 2020 ("Code") relating to employee benefits during employment and postemployment benefits received Presidential Assent in September 2020. The Code has been published in the Gazette of India, however, the date on which the Code will come into effect has not been notified and the final rules/ interpretation have not yet been issued. The Bank will assess the impact of the Code and record any related impact in the period it becomes effective.

10 EPS disclosed for the quarter and half year ended 30 September 2021 and 30 September 2020 are not annualised.

11 Figures for the previous period / year have been regrouped / reclassified wherever necessary to conform to the classification of the current period/year.

12 There are no changes to the significant accounting policies adopted during the quarter and half year ended 30 September 2021 as compared to those followed for the year ended 31 March 2021.

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

Rajeev Yadav
MD & CEO
DIN: 00111379

Place: Bengaluru
Date: 13 November 2021

FINCARE SMALL FINANCE BANK LIMITED

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