



**Fino**  
**Fino Payments Bank**

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QADAR AAPKI MEHNAT KI

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# **ANNUAL REPORT**

## **F.Y 2019-20**

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**FINO PAYMENTS BANK LIMITED**
**CIN: U65100MH2007PLC171959**
**Regd. Office: Mindspace Juinagar, Plot No Gen 2/1/F, Tower 1, 8<sup>th</sup> Floor, TTC**
**Industrial Area, MIDC Shirwane, Juinagar, Navi Mumbai - 400 706,**
**Phone: +91 22 7104 7000 Fax: +91 22 71047066,**
**E-mail: [basavraj.loni@finobank.com](mailto:basavraj.loni@finobank.com)**
**DIRECTORS' REPORT**
**Dear Shareholders,**

Your Directors have pleasure in presenting their Fourth Annual Report of Fino Payments Bank Limited together with the Audited Financial Statements for the Financial year ended 31<sup>st</sup> March, 2020.

**Financial Highlights**
**(Rs. in lakhs)**

<b>Particulars</b>	<b>2019-20 (Rs.)</b>	<b>2018-19 (Rs.)</b>
Net Sales and other income	69,139	37,112
Expenses	69,278	40,971
<b>Profit /(Loss) before Interest, Depreciation and Tax</b>	<b>(139)</b>	<b>(3,859)</b>
Depreciation	2,356	1,826
Finance Charges	708	553
<b>Profit /(Loss) before Tax and prior period items</b>	<b>(3,204)</b>	<b>(6,238)</b>
Prior period items	-	-
<b>Profit /(Loss) before Tax</b>	<b>(3,204)</b>	<b>(6,238)</b>
Taxes		-
<b>Net Profit /(Loss) after Tax</b>	<b>(3,204)</b>	<b>(6,238)</b>
Other Comprehensive Income	-	-
<b>Balance of Profit /(Loss) carried forward to next year</b>	<b>(3,204)</b>	<b>(6,238)</b>

**Company Performance**

During the period under review, the Net Revenue of the Bank increased from Rs. 37,112 lakhs (previous year) to Rs. 69,139 lakhs (current year). Your Bank has

incurred loss of Rs. 3,204 lakhs in current year as against loss of Rs.6,238 lakhs in previous year.

### **Brief Description of the Company's working during the Year/State of Company's Affairs**

The Company is a public limited company and is registered with RBI to carry on the business of Payments Bank in India.

### **Change in nature of business**

There is no change in nature of business of the Bank.

### **Payment of Dividend**

Your Board of Directors has expressed its inability to recommend dividend to the shareholders due to loss for the financial year ended 31<sup>st</sup> March, 2020.

### **Reserves**

The Bank does not propose to transfer any amount to General Reserves.

### **Material changes and commitments**

Attention is drawn to notes no. 42 of the Financial Statements which describes that extent to which the Covid-19 pandemic will impact the Bank's financial statement will depend on future developments, which are highly uncertain and the Bank shall continue to closely monitor any material changes to future economic conditions.

Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Bank between the end of the financial year and the date of this report.

### **Changes in Capital Structure: Issued and Paid-up Share Capital and Capital Adequacy**

During the period under review, there is no change in capital Structure of the Bank.

The Bank has also not issued any sweat equity shares or shares with differential voting rights or ESOP.

Your Bank's total Capital Adequacy Ratio is in line with Basel II Capital Regulations stood at 60.87% as on 31<sup>st</sup> March, 2020.

### **Board of Directors and Key Managerial Personnel**

The Composition of the Board is in compliance of the licencing conditions of RBI and the Companies Act, 2013.

#### **a) Appointments and Resignations**

Mr. P. S. Ravi was appointed as Nominee Director of Bharat Petroleum Corporation Limited by the Board at its meeting held on 22<sup>nd</sup> May, 2019. The appointment of Mr. P. S. Ravi as Nominee Director of the Bank was approved by the Shareholders in their Annual General Meeting held on 30<sup>th</sup> September, 2019.

Mr. Suresh Kumar Jain who was appointed as an Additional Director in the capacity of Independent Director on 16<sup>th</sup> January, 2019 by the Board of Directors was confirmed as an Independent Director for a term of 5 years with effect from 16<sup>th</sup> January, 2020 by the members of the Bank at their Annual General Meeting held on 30<sup>th</sup> September, 2019.

Prof. N. Venkiteswaran resigned as Independent Director of the Bank with effect from 13<sup>th</sup> March, 2020.

Mrs. Deena Mehta was appointed as Additional Director in capacity of Independent Director with effect from 19<sup>th</sup> March, 2020. Mrs. Deena Mehta who holds the office upto the date of the ensuing AGM of the Company would be confirmed as Independent Director of the Bank at the ensuing Annual General Meeting to hold office for a term of five consecutive years commencing from 19<sup>th</sup> March, 2020.

Mr. Rishi Gupta was appointed as M.D. & CEO of the Bank for a period of three years with effect from May 2, 2017. The said period expired on May 1, 2020. Accordingly, the Board of Directors at its meeting held on February 13, 2020 had approved the re-appointment of Mr. Rishi Gupta as M.D. & CEO of the Bank, for a period of five years, with effect from May 2, 2020 to May 1, 2025 subject to the approval of RBI and the Shareholders.

Accordingly, the Bank filed an application to RBI seeking its approval for re-appointment of Mr. Rishi Gupta as M.D. & CEO of the Bank for a further period of five



years beginning from May 2, 2020 till May 1, 2025 subject to the approval of the Shareholders.

The Bank has received an email dated April 27, 2020 from RBI approving the re-appointment of Mr. Rishi Gupta as M.D. & CEO of the Bank for a further period of three years beginning from May 2, 2020 till May 1, 2023 subject to the approval of the Shareholders.

Mr. Mahendra Kumar Chouhan was appointed as Part-time Chairman of the Bank with effect from May 2, 2017 for a period of three years. The said period expired on May 1, 2020.

Accordingly, the Board at its meeting held on February 13, 2020 had approved the re-appointment of Mr. Mahendra Kumar Chouhan as Part-time Chairman of the Bank for a further period of five (5) years with effect from May 2, 2020 to May 1, 2025 subject to the approval of RBI.

The Bank had filed an application to RBI seeking its approval for the re-appointment of Mr. Mahendra Kumar Chouhan as Part-time Chairman of the Bank for a further period of five (5) years beginning from May 2, 2020 till May 1, 2025. As on the date of this report the approval is awaited from RBI.

Mr. S. Rajaraman has resigned as Company Secretary & SVP- Legal of the Bank with effect from 20<sup>th</sup> April, 2020 and Mr. Basavraj Loni was appointed as Company Secretary & AVP- Legal with effect from 15<sup>th</sup> May, 2020.

### **Independent Directors**

The Independent Directors have submitted their disclosures under Section 149 (7) of the Act to the Board that they fulfill all the criteria of independence as mentioned in Section 149(6) of the Companies Act, 2013 as amended from time to time.

### **b) Retiring by Rotation**

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Bank's Articles of Association, Mr. Rishi Gupta, Managing Director & CEO, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends his re-appointment for the consideration of the Members of the Bank at the ensuing Annual General Meeting.

### Details of Board of Directors' Meetings

During the year under review, 4 (four) Board meetings were held and the dates on which the meetings were held are:

1. 22<sup>nd</sup> May, 2019
2. 8<sup>th</sup> August, 2019
3. 13<sup>th</sup> November, 2019
4. 13<sup>th</sup> February, 2020

The details of the Directors and attendance at the meeting (including through Video conferencing) of the Board of Directors:

Sr. No.	Name	Category	No of Meetings attended
1.	Mr. Rishi Gupta	Managing Director & CEO	4
2.	Mr. Mahendra Kumar Chouhan	Independent Director	4
3.	Prof. N. Venkiteswaran*	Independent Director	4
4.	Dr. Punita Sinha	Independent Director	4
5.	Dr. Ganesh Natarajan	Independent Director	4
6.	Mr. P. S.Ravi**	Nominee Director	1
7.	Mr. Amit Jain	Nominee Director	4
8.	Mr. Avijit Saha	Nominee Director	4
9.	Mr. Suresh Kumar Jain	Independent Director	4
10.	Mrs. Deena Mehta***	Additional Director in capacity of Independent Director	-

\*resigned w.e.f 13/03/2020

\*\* appointed w.e.f 22/05/2019

\*\*\*appointed w.e.f 19/03/2020

### Board Committees

During the period under review, pursuant to the Payments Bank Guidelines and circulars relating thereto and the Companies Act, 2013 (including statutory

enactments) the following Committee meetings were held to oversee the specific areas:

Further As per para 2.2 of Secretarial Standard-1 issued by Institute of Company Secretaries of India, the Board has set the minimum number and frequency of Committee meetings.

## 1. Nomination & Remuneration Committee

During the period under review, 4 meetings of the Nomination and Remuneration Committee were held on 21<sup>st</sup> May, 2019, 8<sup>th</sup> August, 2019, 13<sup>th</sup> November, 2019 and 13<sup>th</sup> February, 2020. The Composition and attendance by the members (including through video conferencing) are given below:

Sr. No.	Name	Category	No of Meetings attended
1.	Mr. Suresh Kumar Jain	Chairman of Committee and Independent Director	3
2.	Mr. Mahendra Kumar Chouhan	Independent Director	4
3.	Dr. Punita Kumar Sinha	Independent Director	4
4.	Dr. Ganesh Natarajan	Independent Director	4
5.	*Prof. N. Venkiteswaran	Independent Director	4
6.	**Mr. P. S. Ravi	Nominee Director	1

\*resigned w.e.f 13/03/2020

\*appointed as a member of the Committee w.e.f. 22/05/19

The brief terms of references of the Nomination and Remuneration Committee, inter-alia include as under:

1. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
2. To recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
3. To formulate the criteria for determining qualifications, positive attributes and independence of a director
4. To recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel, material risk takers and other employees

5. To monitor and review various HR related matters such as plans, policies reports etc. from time to time.
6. To ensure that the Policy on remuneration to Directors, Whole-time Directors / Executive Directors, key managerial personnel, material risk takers and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals and is in compliance to RBI norms.
7. Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view performance of the Company, standards prevailing in the industry, norms specified by RBI, statutory guidelines, etc.
8. To work in close coordination with Risk Management Committee of the bank, to achieve effective alignment between compensation and risks. The NRC should also ensure that the cost/income ratio of the bank supports the compensation package consistent with maintenance of sound capital adequacy ratio.
9. To review and approve the content of the Director's Remuneration report in the annual report and accounts for approval by Board as a whole.
10. Keep abreast of external remuneration trends and market conditions.
11. To ensure that a Fit and Proper disclosure, Deed of Covenant and a declaration and undertaking in bank's favor, as may be specified by RBI is obtained from every Director.
12. To scrutinize Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and shall report to the Reserve Bank if any of its directors fails to fulfill the 'fit and proper' criteria as specified by Reserve Bank from time to time.

The Board of Directors has framed a policy which lays down guidelines in relation to remuneration of Directors, Key Managerial Personnel and other employee of the Company. This policy inter alia, prescribes criteria for determining qualifications, positive attributes and independence of Directors also lays down criteria for selection and appointment of Board Members. The Nomination and Remuneration policy has been prepared as per requirements of the provisions of Section 178 of the Companies Act, 2013 read along with the Rules. There were no material changes in the policy during the F.Y. 2019-20. The Policy is available on the web site of the Company [www.finobank.com](http://www.finobank.com).

Authorised representative of the Nomination and Remuneration Committee was present at the Annual General Meeting held on 30<sup>th</sup> September, 2019.

## 2. Audit Committee

During the Financial year 2019-20, 5 meetings of the Audit Committee were held on 21<sup>st</sup> May, 2019, 8<sup>th</sup> August, 2019, 13<sup>th</sup> November, 2019, 16<sup>th</sup> December, 2019 and 13<sup>th</sup> February, 2020. The Composition and attendance by the members (including through video conferencing) are given below:

Sr. No.	Name	Category	No of Meetings attended
1.	*Prof. N. Venkiteswaran	Chairman of Committee and Independent Director	5
2.	Mr. Mahendra Kumar Chouhan	Independent Director	5
3.	Dr. Punita Kumar Sinha	Independent Director	5
4.	Mr. Amit Jain	Nominee Director	5
5.	Mr. Avijit Saha	Nominee Director	4
6.	Mr. Suresh Kumar Jain	Independent Director	4

\*resigned w.e.f 13/03/2020

The brief terms of reference inter-alia include the following:

1. To recommend to the Board, the appointment, re-appointment, terms of reference and, if required, the replacement or removal of the statutory/concurrent auditor and the fixation of audit fees.
2. To review and monitor the statutory, concurrent and internal auditors' independence and performance and effectiveness of audit process.
3. To review compliance with the inspection and audit reports of Reserve Bank of India, review of the findings of internal investigations.
4. To review with the management, the quarterly and annual financial statements before submission to the Board for approval.
5. To review with management the adequacy of the internal control systems including the structure of the internal audit department and
6. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or a failure of internal control systems of a material nature.

7. To approve any subsequent modification of transactions of the company with related parties;
8. To scrutinize inter-corporate loans and investments;
9. To evaluate the undertakings or assets of the company, wherever it is necessary;
10. To evaluate the internal financial controls and risk management systems and
11. To monitor the end use of funds raised through public offers and related Matters.

The Board of Directors had accepted all the recommendations given by the Audit Committee during the year under review.

Chairman of the Audit Committee was present at the Annual General Meeting held on 30<sup>th</sup> September, 2019.

### 3. Risk And Asset Liability Management (ALM) Committee

During the financial year 2019-20, 4 meetings of the Risk and ALM Committee were held on 21<sup>st</sup> May, 2019, 8<sup>th</sup> August, 2019, 13<sup>th</sup> November, 2019 and 13<sup>th</sup> February, 2020. The Composition and attendance by the members (including video conferencing) are given below:

Sr. No.	Name	Category	No of Meetings attended
1.	Mr. Suresh Kumar Jain	Chairman of the Committee Independent Director	3
2.	Mr. Mahendra Kumar Chouhan	Independent Director	4
3.	*Prof. N Venkiteswaran	Independent Director	4
4.	Dr. Ganesh Natarajan	Independent Director	4
5.	Mr. Amit Jain	Nominee Director	3
6.	Mr. Rishi Gupta	Managing Director & CEO	4

\*Resigned w.e.f. 13/03/2020

The brief terms of reference inter-alia include the following:

1. To assist the Board in its oversight of the Company's management of key risks, including strategic, financial operational and compliance risks, as well

as the guidelines, policies and processes for monitoring and mitigating such risks.

2. To evolve appropriate systems and procedures for ongoing identification and analysis of Balance Sheet risks and lay down parameters for efficient management of these risks through Asset Liability Management Policy of the Company.
3. To identify, monitor and measure the risk profile of the Bank (including market risk, operational risk and other residual risks.)
4. To oversee the risk management policy for approval by the Board.
5. To review adherence to various risk parameters and prudential limits for treasury operations and its risk monitoring system.
6. Reviewing adequacy of insurance policies taken by Management to cover risks/ transfer risk exposures.
7. Formulate and implement optimal ALM strategies at an enterprise level and meeting risk/reward objectives.
8. To monitor risk exposures, funding & development at periodic intervals and revise ALM strategies where required.

#### 4. IT Strategy Committee

During the year under review, 3 meetings of the IT Strategy Committee were held on 8<sup>th</sup> August 2019, 13<sup>th</sup> November, 2019 and 13<sup>th</sup> February, 2020. The Composition and attendance by the members are given below:

Sr. No.	Name	Category	No of Meetings attended
1.	Dr. Ganesh Natarajan	Chairman of the Committee and Independent Director	3
2.	Mr. Mahendra Kumar Chouhan	Independent Director	3
3.	Mr. Amit Jain	Nominee Director	3
4.	Mr. Rishi Gupta	Managing Director & CEO	3
5.	*Mr. P. S. Ravi	Nominee Director	1
6.	Mr. Avijit Saha	Nominee Director	1

\*appointed as a member of the Committee w.e.f 22/05/19

The brief terms of reference include the following:

1. Approving IT strategy and policy documents
2. ensuring that the management has put an effective strategic planning process in place;
3. Ratifying that the business strategy is indeed aligned with IT strategy
4. Ensuring that the IT Organizational structure complements the business model and its direction ;
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
7. 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
8. Ensuring proper balance of IT investments for sustaining bank's growth
9. Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT risks
10. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
11. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
12. Reviewing IT performance measurement and contribution of IT to businesses (i.e. delivering the promised value).
13. Approve and review the IT infrastructure sharing arrangements with other entities including the holding company/associates.
14. To review information security system in the Bank and the Status of implementation of regulatory instructions on Information Security.

## **5. Corporate Social Responsibility (CSR) Committee**

In accordance with Section 135 of the Companies Act, 2013, the Bank has constituted Corporate Social Responsibility Committee. The Committee consists of 3 Independent Directors namely Mr. M K Chouhan (Chairman), Dr. Punita Kumar Sinha, Dr. Ganesh Natarajan and a Nominee Director i.e. Mr. Avijit Saha. No meetings were required to be held in the financial year as the Bank is not covered under the criteria prescribed under the said section. The brief terms of reference inter-alia include the following:



1. The Committee shall annually review the CSR Policy and associated frameworks, processes and practices of the Company and make appropriate recommendations to the Board.
2. The Committee shall ensure that the Company is taking the appropriate measures to undertake and implement CSR projects successfully and shall monitor the CSR Policy from time to time.
3. The Committee shall identify the areas of CSR activities and recommend the amount of expenditure to be incurred on such activities.
4. The Committee will coordinate with such other agency for implementing programs and executing initiatives as per CSR policy and shall review the performance of such other agency periodically.
5. The Committee may form and delegate authority to subcommittees when appropriate.
6. The Committee shall regularly report to the Board.
7. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

## 6. Customer Service Committee

The Bank has duly constituted Customer Service Committee as required under RBI guidelines.

The Customer Service Committee comprises of a Managing Director & CEO, an Independent Director and a nominee Director.

Two meetings of the Committee were held during the financial year 2019-20 on 21<sup>st</sup> May, 2019 and 13<sup>th</sup> November, 2019. The Composition and attendance by the members are given below:

Sr. No.	Name	Category	No of Meetings attended
1.	Mr. Rishi Gupta	Chairman of the Committee & Managing Director & CEO	2
2.	*Mr. P. S.Ravi	Nominee Director	-
3.	Mr. M K Chouhan	Independent Director	2

\*appointed as a member of the Committee w.e.f 22/05/19

The brief terms of reference inter-alia include the following:

1. 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.
2. To formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.
3. To monitor implementation of awards under the Banking Ombudsman Scheme.
4. To ensure customer are treated fairly all the times and complaints raised by them is dealt with courtesy and in time.
5. To evaluate feedback on quality of customer service and to oversee implementation of commitments towards customers as per the directions received from BCSBI.
6. To ensure that all regulatory instructions regarding customer service are followed by the Bank.
7. Review and approve customer service policies and customer communication strategies of the Bank
8. Formulate and approve Fair Practices Code to customers

## **7. Stakeholders Relationship Committee**

The Bank has duly constituted Stakeholders Relationship Committee as required under RBI guidelines.

The Stakeholders Relationship Committee comprises of Dr. Punita Kumar Sinha, Mr. Rishi Gupta, Managing Director & CEO, Prof N Venkiteswaran who was Chairman of the Committee who resigned as a Director with effect from 13/03/2020 and accordingly he ceased to be Chairman of the Committee.

There were no meetings of Stakeholders Relationship Committee held, as there were no agenda items relating to the stakeholders.

The brief terms of reference inter-alia include the following:

- To assist the Board and the Company to redress shareholders, debenture holders, security holders and investors complaints if any, but not limited to transfer of shares, non-receipt of annual report, non-receipt of interest on bonds / declared dividends etc

Authorised Representative of the Committee was present at the Annual General Meeting held on 30<sup>th</sup> September, 2019.

### **Board Evaluation**

The Board of Directors has carried out an annual evaluation of its performance, Board Committees and individual Directors as required under the Companies Act, 2013. Further, performance evaluation of Independent Director was done by the entire Board of Directors, excluding the Director being evaluated as required under Schedule IV of Companies Act, 2013. Structured evaluation was conducted after seeking inputs from all directors on the basis of the criteria such as board composition, structure, board processes and their effectiveness, role, information given to Board etc.

The Board of Directors had expressed their satisfaction with the evaluation process.

### **Directors' Responsibility Statement**

Pursuant to the requirement of Section 134(5) of the Companies Act, 2013, and based on the representations received from the operating management, the Directors hereby confirm that:

- (a) that in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they had selected such accounting policies, consulted the Statutory Auditors 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 as at March 31, 2020 and of the loss of the Bank for that period;
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) they had prepared the annual accounts on a going concern basis and
- (e) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Extract of Annual Return**

The details forming part of the extract of the annual return in Form MGT-9 is enclosed in **Annexure A**.

### **Auditors & Auditors' Report**

M/s. MSKC & Associates LLP (formerly R.K. Kumar & Co.) (Registration No. 001595S) Statutory Central Auditors of the Bank would retire at the ensuing Annual General Meeting and have confirmed that their re-appointment, if made, shall be in compliance with the provisions of the Companies Act, 2013 and The Banking Regulation Act, 1949 and RBI guidelines and circulars in this regard. Pursuant to the aforesaid, Bank has received relevant certificates and declarations. The Appointment of Statutory Central Auditors shall be subject to the prior approval of Reserve Bank of India.

Pursuant to the recommendation of the Audit Committee, the Board of Directors at its Meeting held on May 15, 2020 subject to approval of Reserve Bank of India and Shareholders has approved the reappointment of M/s MSKC & Associates LLP (formerly R.K. Kumar & Co.), Chartered Accountants as Statutory Central Auditors of the Bank to hold office for a term of one year from conclusion of 4<sup>th</sup> Annual General meeting of the Bank upto the conclusion of 5<sup>th</sup> Annual General meeting of the Bank.

Partner of erstwhile Statutory Central Auditors Firm was present in the AGM held on 30<sup>th</sup> September, 2019.

### **Statutory Auditors' Report**

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report is unmodified and does not contain any qualification, reservation or adverse remark.

### **Secretarial Auditor and Secretarial Auditors' Report**

M/s. Amita Desai & Associates, the Secretarial Auditor has conducted Secretarial audit for the financial year 2019-2020 as required under Section 204 of the Companies Act, 2013 and the report with qualification/observation is provided in **Annexure B** which is included in this report.

Following are the reply of the Board of Directors for the remark(s) given by the Secretarial Auditors in their report:

#### Fraud Management System:

Based on analysis of the trend over the period, the Bank keeps on carrying out RCA from the perspective of improving its controls on the basis of findings emerged from the investigation of such cases. Enhanced controls are being put in place from time to time including transaction at product / account level based limits, welcome calling activity to re-establish the credentials of the customers, monitoring of transactions through NPCI monitoring tool besides Phase 1 of Fraud Risk Management (FRM) system for internal monitoring for AePS, MATM and IMPS transactions to start with w.e.f. 4<sup>th</sup> April 2020. Scope of FRM, further enlarged as part of Phase 1.5, which will be live by June 2020 to cover cash deposits/withdrawals at merchants/branches, account to account transfer, etc. Phase 2, the last phase of FRM, is under implementation, expected to go live by September, 2020.

#### Internal Vigilance Division

During the F.Y. 2019-20 the Bank has appointed Chief Internal Vigilance Officer and a robust vigil mechanism is in place.

The Company exempted the presence of Secretarial Auditors in the AGM.

#### **Compliance of applicable Secretarial Standards**

Your Directors state that Bank has complied with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India as revised and notified on October 01, 2017.

#### **Disclosures under Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014**

As required under section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, the disclosures regarding Conservation of Energy, Research and Development, Technology Absorption and Innovation, and Foreign Exchange Earnings/ Outgo are set out in the **Annexure C** included in this Report.

**Particulars of Employees**

The Disclosures for employees covered under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Bank.

**Related Party Transactions**

Transactions entered into with Related Parties are in ordinary course of business and on arms length basis and the same do not attract the provisions of Section 188 of the Companies Act, 2013. All material related party transactions are set out in Form AOC-2 (as per Section 134 of the Companies Act, 2013) is annexed herewith as **Annexure D**. The details of the related party as required under Accounting Standard 18 are set out in notes to accounts to the financial statements.

**Particulars of Loans, Guarantees or investments**

Pursuant to Section 186(11) of the Companies Act, 2013, loan made, guarantee given or security provided by a Banking Company in the ordinary course of business are exempted from disclosure requirements under Section 134(3)(g) of the Companies Act, 2013.

The particulars of investments made by the Bank are disclosed in Financial Statements as per the applicable provisions of The Banking Regulation Act, 1949.

**Risk Management**

Your Bank has in place a comprehensive Risk Management framework supported by detailed policies and processes for management of Market Risk, Liquidity Risk, Operational Risk and various other Risks.

The Risk Management Committee of the Board overviews the implementation of the various risk management policies and processes and is also in charge of review of these and other Policies from the risk perspective.

Attention is drawn to notes no. 42 of the Financial Statements which describes that extent to which the Covid-19 pandemic will impact the Bank's financial statement will depend on future developments, which are highly uncertain and the Bank shall continue to closely monitor any material changes to future economic conditions.

**Vigil Mechanism/Whistle Blower**

Your Bank has Vigil Mechanism in place as required under Section 177 of the Companies Act, 2013 for the directors and employees to report genuine concerns and the mechanism provides for adequate safeguards against victimization of persons who use such mechanism and makes provisions for direct access to the Chairman of the Audit Committee in appropriate cases.

**Internal Auditor**

As required under Section 138 of the Companies Act, 2013 and Rule 13 of the Companies (Accounts) Rules, 2014, the Internal Audit function is carried out by the Internal Auditor. The Internal Auditors present their report to the Audit Committee. The scope, functioning, periodicity and methodology for conducting the internal audit have been formulated in consultation with the Audit Committee and the Board of Directors.

**Internal Controls and their adequacy**

The Bank has an Internal Control System, commensurate with the size, scale and complexity of its operations. Internal Audit Control System ensures that the regular internal audits are conducted at both the branches and other functional areas. The findings are then taken up by Audit Committee along with management response for suitable action. The Bank has an adequate and effective internal audit system, covering on a continuous basis, the entire gamut of operations and services spanning all locations, business and functions. The Audit Committee monitors the Internal Audit System on regular intervals and directs necessary steps to further improve the Internal Control system.

**Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Your Company is an equal opportunity employer and is committed to ensuring that the work environment at all its locations is conducive to fair, safe and harmonious relations between employees. It strongly believes in upholding the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited.

The Bank has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. Bank has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (permanent, contractual, temporary, trainees) are covered under the policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2019-20:

1. Number of of complaints received : 3
2. Number of complaints disposed off. : 3
3. Number of cases pending for more than 90 days : 0
4. Number of workshops/awareness programmes against sexual harassment carried out – 1
5. Nature of action taken by the employer or District Officer – Not Applicable

#### **Additional disclosures**

- i) Financial highlights are given in the beginning of the report
- ii) Being a Banking Company, disclosures required in accordance with Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 are not applicable to your Bank.
- iii) During the period under review, the Bank was not required to appoint Cost Auditor.
- iv) The provision for the Corporate Social Responsibility as under Section 135(1) of the Companies Act, 2013 is not applicable to the Bank.
- v) There are no frauds reported by Auditors under section 143(12) of the Companies Act, 2013.
- vi) There are no significant and material orders passed by the regulators, courts or tribunals during the year impacting the going concern status and Company's operations in future.



**Detail of Subsidiary / Associate Companies/Holding Company**

Sr. No.	Name of the Company	Whether incorporated/ acquired/ converted	Year of Incorporation/acquisition	Status
1.	Fino PayTech Limited	Incorporated	2006	Holding Company

**Acknowledgement**

The Board wishes to place on record its appreciation to the contribution made by the Employees of the Bank during the year under review. The Bank has achieved impressive growth through the competence, hard work, solidarity, co-operation and support of employees at all levels. Your Directors thank the customers, clients, vendors and other business associates for their continued support in the Bank's growth. The Directors also wish to thank the Reserve Bank of India, Government Authorities, Banks and the Shareholders for their co-operation and assistance extended to the Bank.

**For and on behalf of the Board of Directors**

sd/-

sd/-

 Place :Navi Mumbai  
 Date : May 15, 2020

**M.K Chouhan**  
**Independent Director**
**Rishi Gupta**  
**Managing Director & CEO**

## ANNEXURE A

### Annexure to the Directors' Report

#### EXTRACT OF ANNUAL RETURN

##### Form No. MGT-9

as on the financial year ended on March 31, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration), Rules, 2014]

#### I. REGISTRATION & OTHER DETAILS:

1.	CIN	U65100MH2007PLC171959
2.	Registration Date	23 <sup>rd</sup> June, 2007
3.	Name of the Company	Fino Payments Bank Limited (formerly FINO Fintech Limited)
4.	Category/Sub-category of the Company	Company limited by shares Indian Non-Government Company
5.	Address of the Registered office & contact details	Mindspace Juinagar, Plot No Gen 2/1/F, Tower 1, 8 <sup>th</sup> Floor, TTC Industrial Area, MIDC Shirwane, Juinagar, Navi Mumbai - 400 706, Maharashtra. India Tel: 02271047100
6.	Whether listed company	Unlisted
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Adroit Corporate Services Pvt.Ltd. 17-20, Jafferbhoy Ind. Estate, 1 <sup>st</sup> Floor, Makwana Road, Marol Naka, Andheri (E), Mumbai 400059, India. Tel: +91 (0)22 42270400, email:info@adroitcorporate.com

#### 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 and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Other financial service activities, except insurance and pension funding activities	64990	100

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

<b>I. No</b>	<b>Name and Address of the Company</b>	<b>CIN/GLN</b>	<b>Holding/S subsidiary/ Associate</b>	<b>% of shares held</b>	<b>Applicable section</b>
1.	FinoPayTech Limited	U72900MH2006PLC162656	Holding	100	2(46)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

**(i) Category-wise Shareholding**

[illegible]

b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>	-	-	-	-	-	-	-	-	-
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	*6	*6	negligible	-	*6	*6	negligible	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-								
c) Others (Foreign Body Corporates including FDI)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(2)</b>	-	6	6	negligible	-	6	6	negligible	-
<b>Total Public Shareholding (B) = (B)(1) +(B)(2)</b>	-	6	6	negligible	-	6	6	negligible	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	4,45,79,997	4,45,79,997	100	-	4,45,79,997	4,45,79,997	100	-

\*Fino PayTech Limited holds beneficial interest in 6 (six) equity shares which are held by six individuals.

**(ii) Shareholding of Promoter-**

Sl. No	Name of shareholder	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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.	Fino PayTech Limited	4,45,79,991	100	-	4,45,79,991	100	-	No change

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr. no	Name of shareholder	Shareholding		Date	Increase / Decrease in Share holding	Reason	Cumulative Shareholding during the Year	
		No. of Shares at the beginning and end of the year	% of total Shares of the company				No. of Shares	% of total Shares of the company
1.	Fino PayTech Ltd	4,45,79,991	100		No Change		4,45,79,991	100

**(iv) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. no		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.	At the beginning of the year: <b>Vipr Raj Bhardwaj</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	No Change			
	At the end of the year (or on the date of	1	0.00	1	0.00

	separation, if separated during the year)				
2.	At the beginning of the year: <b>Vikaas Goel</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	Decrease due to transfer of shares on 31/05/2019			
	At the end of the year (or on the date of separation, if separated during the year)	-	-	-	-
3.	At the beginning of the year: <b>Shailesh Pandey</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	No Change			
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00
4.	At the beginning of the year: <b>Rajeev Arora</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	No Change			
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00
5.	At the beginning of the year: <b>Ashish Ahuja</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	No Change			
	At the end of the year	1	0.00	1	0.00
6.	At the beginning of the year: <b>Amit Jain</b>	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	Increase in shares due to Transfer on 31/05/2019			
	At the end of the year	1	0.00	1	0.00

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No		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	At the beginning of the year: <b>Rishi Gupta</b>	1	0.00	1	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease	No Change			
	At the end of the year (or on the date of separation, if separated during the year)	1	0.00	1	0.00

## V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	82,90,29,182	-	47,53,99,671	1,30,44,28,854
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3,73,735	-	30,375	4,04,110
<b>Total (i+ii+iii)</b>	<b>82,94,02,917</b>	<b>-</b>	<b>47,54,30,046</b>	<b>1,30,48,32,964</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	-	-	69,99,44,124	58,11,04,744
* Reduction	(11,88,39,380)	-	-	-
<b>Net Change</b>	<b>(11,88,39,380)</b>	<b>-</b>	<b>69,99,44,124</b>	<b>58,11,04,744</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	71,02,71,131	39,76,31,957	1,17,52,95,057	2,28,31,98,145
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2,92,406	-	79,113	3,71,520
<b>Total (i+ii+iii)</b>	<b>71,05,63,537</b>	<b>39,76,31,957</b>	<b>1,17,53,74,171</b>	<b>2,28,35,69,665</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

Sl. No.	Particulars of Remuneration	Name of Director	Total Amount
		<b>Mr. Rishi Gupta MD &amp; CEO</b>	
1	Gross salary	1,37,61,718	1,37,61,718
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,60,727	7,60,727
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option	-	-
3	Sweat Equity	-	-

4	Commission - as % of profit - others, specify...	-	-
5	Others	-	-
	Total (A)	-	-
	Ceiling as per the Act	1,45,22,445	1,45,22,445

## B. REMUNERATION TO OTHER DIRECTORS

Sl. No.	Particulars of Remuneration	Names of Directors		
		<b>Mr. M.K Chouhan</b>	<b>Dr. Punita Sinha</b>	<b>Total Amount</b>
1	Independent Directors		-	-
	Fee for attending board and committee meetings	1,900,000	1,075,000	2,975,000
	Commission	-	-	-
	Others, please specify	-	-	-
			-	-
	Total (1)	1,900,000	1,075,000	2,975,000
2	Other Non-Executive Directors	<b>Mr. Amit Jain</b>	<b>Mr. P.S.Ravi w.e.f 22/05/19</b>	
	Fee for attending board and committee meetings	-	-	-
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (2)	-	-	-
	<b>Total (B)=(1+2)</b>	-	-	-
	<b>Total Managerial Remuneration</b>	-	-	-
	<b>Overall Ceiling as per the Act</b>	-	-	-

Sl. No.	Particulars of Remuneration	Names of Directors		
		<b>Prof. N. Venkiteswaran till 13/03/20</b>	<b>Dr. Ganesh Natarajan</b>	<b>Total Amount</b>
1	Independent Directors			
	Fee for attending board and committee meetings	1,375,000	12,25,000	2,600,000
	Commission	-	-	-
	Others, please specify	-	-	-
			-	-
	Total (1)	1,375,000	12,25,000	2,600,000
2	Other Non-Executive	<b>Mr. Avijit Saha</b>		



	Directors			
	Fee for attending board and committee meetings	-	-	-
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (2)	-	-	-
	<b>Total (B)=(1+2)</b>	-	-	-
	<b>Total Managerial Remuneration</b>	-	-	-
	<b>Overall Ceiling as per the Act</b>	-	-	-

Sl. No.	Particulars of Remuneration	Names of Directors		Total Amount
		<b>Mr. Suresh Kumar Jain</b>	<b>Mrs. Deena Mehta</b>	
1	Independent Directors			-
	Fee for attending board and committee meetings	1,300,000	-	1,300,000
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (1)	1,300,000	-	1,300,000
2	Other Non-Executive Directors	-	-	-
	Fee for attending board and committee meetings	-	-	-
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (2)	-	-	-
	<b>Total (B)=(1+2)</b>	<b>45,75,000</b>	<b>23,00,000</b>	<b>68,75,000</b>
	<b>Total Managerial Remuneration</b>			
	<b>Overall Ceiling as per the Act</b>	-	-	-

### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	KEY MANAGERIAL PERSONNEL		
		<b>Mr. Ketan Merchant- CFO</b>	<b>Mr. S.Rajaraman - CS</b>	<b>Total</b>
1	Gross salary	76,62,760	37,78,560	1,14,41,320
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9,43,490	2,56,590	12,00,080
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-

2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	others specify...	-	-	-
5	Others, please specify	-	-	-
	<b>Total</b>	<b>86,06,250</b>	<b>40,35,150</b>	<b>1,26,41,400</b>

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

For and on behalf of the Board of Directors

sd/-

sd/-

Place :Navi Mumbai  
Date : May 15, 2020

**M.K Chouhan**  
**Independent Director**

**Rishi Gupta**  
**Managing Director & CEO**



**AMITA DESAI & CO.**  
Company Secretaries



Office : 1005, 10th Floor, Hubtown Solaris, N.S Phadke Marg, Andheri Flyover Bridge, Andheri (E) Mumbai - 400069  
Tel. No. : (Board Line) 022-26845919/20/21, (Direct No. : 022-26845923) Cell : 9820177691,  
Email : info@amitadesai.com, amita@amitadesai.com • Website : www.amitadesai.com

## SECRETARIAL AUDIT REPORT

### Form No. MR-3

**FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020**

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

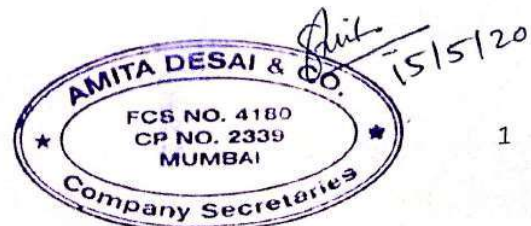
**UDIN F004180B000244123**

To,  
The Members,  
**FINO PAYMENTS BANK LIMITED**  
MindSPACE Juinagar, 8th Floor, Plot No. Gen 2/1/F,  
Tower 1, TTC Industrial Area, MIDC Shirwane,  
Juinagar, Navi Mumbai, Thane  
Maharashtra- 400706  
**U65100MH2007PLC171959**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **FINO PAYMENTS BANK LIMITED** (hereinafter called "**the Company**") for financial year from April 01, 2019 to March 31, 2020 (hereinafter referred to as ("**the Audit Period**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

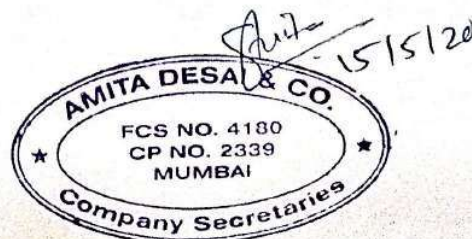
Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, and as per the explanations given to us and the representations made by the Management of the Company, we hereby report that in our opinion, the Company has, during the Audit Period covering the financial year ended on March 31, 2020, complied with the statutory provisions listed hereunder and also that the Company had proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed during the Audit Period and other records made available to us and maintained by the Company and as shown to us during our audit and according to the provisions of the following laws:





- i. The Companies Act, 2013 ("the Act") and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- v. Since the Company is an unlisted public company, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') **are not applicable to the Company during the Audit Period:-**
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- vi. On the basis of business operations and licenses obtained by the Company, we further report that we have verified the compliances, filings, policies/ frameworks, etc. on sampling basis and based upon the confirmations wherever required, the Company has complied with the provisions of following laws which are specifically applicable to the Company:
  - The Banking Regulations Act, 1949 and the rules made thereunder,
  - Reserve Bank of India Act, 1934,
  - The RBI Operating Guidelines for payment banks dated October 06, 2016,
  - Master Direction on Issuance and Operation of Prepaid Payment Instruments,
  - The Reserve Bank of India Guidelines dated November 27, 2014 for Licensing of Payment Banks,
  - The Payment and Settlement Act, 2007 read with all the Master Directions issued by Reserve Bank of India (RBI) in this regard.
  - The Board for Regulation and Supervision of Payment and Settlement Systems Regulations, 2008
  - The Payment and Settlement Systems Regulations, 2008
  - Deposit Insurance and Credit Guarantee Corporation Act, 1961;
  - The BR (Companies) Rules, 1949 and
  - Master Directions on KYC





We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by the Institute of Company Secretaries of India[SS-1 (Board Meetings) and SS-2 (General Meetings)].
- ii. The Company being unlisted public Company, there is no Listing Agreement entered into by the Company with any Stock Exchange(s) and hence Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is also not applicable to the Company.

During the Audit Period and as per the explanation and clarification given to us and the representations made by the management, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above and generally complied with the terms and conditions of the operating guidelines, Licensing guidelines of Payments Bank issued by Reserve Bank of India (RBI) and various instructions/guidelines issued by RBI.

**We further report that**

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven (7) 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 under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines, *however the same is required to be strengthen for fraud management system and Internal Vigilance Division to be set up as per Inspection Report of Reserve Bank of India. As informed, the Company has responded appropriately to notices received from various statutory/ regulatory authorities including Reserve Bank of India post inspection made by RBI and the Company has also initiated actions for corrective measures, wherever found necessary and reply to such statutory/ regulatory authorities.*



We further report that during the Audit Period the Company has following events:

- i. The Reserve Bank of India (RBI) had conducted Annual Financial Inspection (AFI) of the Company during October 16, 2019 to October 30, 2019 with reference to its position as on March 31, 2019 and Report was given by RBI on November 29, 2019 with observations for various compliances.
- ii. The Reserve Bank of India has rejected to re-appoint BSR & Associates LLP as Statutory Auditor of the Bank for FY 2019-20, due to adverse market information against the firm vide email dated August 29, 2019. Company has appointed R.K. Kumar & Co., as Statutory Auditor of the Company for a term of one (1) year (i.e. for FY 2019-20) in the Annual General Meeting of members of the Company held on September 30, 2019. The appointment of R. K. Kumar & Co. as Statutory Auditor was approved by the RBI vide its letter dated October 04, 2019.

Place: Mumbai

Date: 15 May 2020



For Amita Desai & Co.  
Company Secretaries

*Amita*  
15/5/20

UDIN F004180B000244123

Amita Desai  
Proprietor  
FCS 4180  
CP 2339

This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.





**AMITA DESAI & CO.**  
**Company Secretaries**



Office : 1005, 10th Floor, Hubtown Solaris, N.S Phadke Marg, Andheri Flyover Bridge, Andheri (E) Mumbai - 400069  
Tel. No. : (Board Line) 022-26845919/20/21, (Direct No. : 022-26845923) Cell : 9820177691,  
Email : info@amitadesai.com, amita@amitadesai.com • Website : www.amitadesai.com

**ANNEXURE – A**

**(To the Secretarial Audit Report of FINO Payments Bank Limited for the financial year ended March 31, 2020)**

To,  
The Members,  
**FINO PAYMENTS BANK LIMITED**  
MindSPACE Juinagar, 8th Floor, Plot No. Gen 2/1/F,  
Tower 1, TTC Industrial Area, MIDC Shirwane,  
Juinagar, Navi Mumbai, Thane  
Maharashtra- 400706  
**U65100MH2007PLC171959**

Our Secretarial Audit Report for the financial year from April 01, 2019 to March 31, 2020 of even date is to be read along with this letter.

1. Maintenance of secretarial and other record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit of the relevant records maintained and furnished to us by the Company alongwith the explanation where so required;
2. We 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 are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company ;
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc. and also got Management Representation that there is no specifically applicable laws to the Company.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.



6. 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.
7. While we have followed the audit practice to obtain reasonable assurance about the correctness of the contents of the data, documents, details and records provided to us for the audit for the last quarter by email due to nationwide lock down in the situation of Pandemic of COVID-19 from March 25, 2020. However we took confirmation of correctness of such data shared by email from the Compliance and Secretarial Team.

Place: Mumbai  
Date: 15 May 2020



For Amita Desai & Co.  
Company Secretaries

*Amit*  
15/5/20

UDIN F004180B000244123

Amita Desai  
Proprietor  
FCS 4180  
CP 2339



## **ANNEXURE C**

### **Annexure to the Directors' Report**

#### **INFORMATION RELATING TO CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION, AND FOREIGN EXCHANGE EARNINGS/ OUTGO FORMING PART OF THE DIRECTORS' REPORT IN TERMS OF SECTION 134 OF THE COMPANIES ACT, 2013.**

##### **A. Conservation of Energy**

Your Bank has undertaken several initiatives in its registered office such as:

- BMS system by builder is efficiently controlling the floor temperature in order to save energy and support go green initiative. Also floor technician is operating the air condition unit as per schedule to optimum air condition usage.
- Builder control through BMS system on usage of lifts, air conditioners, common passage lights and other electrical equipment's.
- Installed energy efficient LED lights.
- Most of the lights and air condition units are switched off after 7 pm. Only required lights are put on to save on wastage of energy. Switching off all the workstation area AC's during lunch time from 1pm to 2pm except cafeteria.
- Power factor has been maintained constantly through use of Capacitor bank.
- Installed sun control film & blinds across office to keep office cool and to save on AC consumption.

Your Bank has been consciously making efforts towards improving the energy performance year on year.

##### **B. Research & Development**

During the year under review, Bank had conducted various In-house development activities in the following areas. Focus was mainly on creating generic plug & play interfaces for various transactions so that these can be not only consumed by Bank but can also extended to Partners and Merchants.

##### **1. Payments Bank**

###### **a. Teller / Merchant Application**

Added value to existing applications by adding new products and enhancing existing products on Web Teller and FOS. Also enabled the same for Merchant on Web and Mobile.



**b. API Banking & Integrations**

Considering large flow of CMS clients, we have developed generic white label approach for on-boarding CMS clients. With this approach plugging-in new CMS client is been easy and faster now.

We have also created API's and SDK for AEPS/MATM transactions. These API's are used by Banks different Partners to integrate and initiate transactions from their own platform.

We have created "DMT Service" interface and integrated with Rajasthan Government for E-mitra project.

Further we are working on to create "Account Opening" API's.

**c. Launched new products & Created larger platform for Fino Payments Bank(Fino)**

We have now extended Fino solution (M-ATM) on multiple devices like Pin-Pax, Sunyard, Evolute.

Extended Banks application on VisionTek POS terminals so as to grab PDS merchants.

We have implemented UPI 2.0 with new features one that will directly impact P2M transactions.

We have on-boarded new insurance products & clients. We are extending Insurance and Account opening proudcts on Merhant Channels.

**d. Extending CASA**

- i. Implementation of Subscription base products
- ii. CASA+, this is an auto sweep extended account in partner bank and created all the interface to pull money.

**e. Upgrades**

Have upgraded products & its process flows with NKYC and EKYC.

Providing services over all channels like BPay with UPI and CASA+

**f. Analytics**

After rollout of SAS, we now extended the same to profiling customer as well as merchants. This will enhance product offering to customer and performance of Merchants. Enhancing it further for cross sell.



#### **g. Other Systems implemented**

Implementing Gyankosh (Knowledge Management System), ChatBot, New Merchant Home Page, Inventory system & CRM.

#### **h. Acquiring**

We started integration with third party industry player like Orpak. This will provide Fino a ready platform to hit BPCL outlets.

### **2. Self-Channels**

With Digital focus we are working on implementing self-channels to enhance user experience and convince.

#### **a. Cash Bazar/COLA**

Considering a cash demand and shortage in the field, we have implemented "On-Demand" cash platform for rural area.

#### **b. Multilingual**

To increase usability, upgraded B-pay platform with "Hindi" support. Going ahead it can be extended to other regional languages.

#### **c. MSCRT Project**

Implemented phase 1 (COCO Model), now working on rollout with Rokad.

### **3. Application Security**

We have further enhanced security for applications so as to reduce frauds Implemented below security patches to applications.

- Strengthening security of applications
- Implementing EMV certification on all acquiring devices so as to support chip based transactions.
- Dynamic key implementation
- SSL pinning
- Build authentication and checksum implementation
- Extending Security and Validations
- Various monitoring mechanisms deployed using the above tools, alerts are monitored online and daily basis to ensure high level security

### **C. Future Readiness**

Considering future load of transactions, we are continuously taking steps to improve scaling capacity of our applications. Below approach is flowed to achieve the same



- Benchmarking existing application capacity by doing load testing.
- Reducing transaction hops to implement straight through transaction processing for HIGH throughput transactions (like IMPS etc.)
- Segregating critical transactions from non-financial ones so as to create a control based on priority of transactions.
- Enhancing process so as to reduce TAT on transactions like 15-minute account activation.

#### **4. Security**

- Implementation of a 24 x 7 Security Operations Center (SOC)
- DLP (Data leak Prevention) System deployed.
- MDM (Mobile Device Management) Systems deployed for Mobile devices security.

#### **5. Production systems**

Capacity review was done on Servers, Storage and Networks and required augmentations to capacities (CPU, Memory, Storage) were done.

Network optimizations were carried out to strengthen security and performance.  
Server consolidation was done for optimization and better management.  
Half yearly IT DR Drills completed successfully.

#### **D. Technology absorption**

- a. All Payments Bank applications are mostly using CBS (Core Banking system) provided by "FIS" (FIS Payments and Solutions India Private Limited)
- b. For digital signing of documents Company is using system from "Digio"
- c. DMS (Document Management Server) workflows are created in Servosys system"

The aforesaid Technologies have been absorbed by the Bank to the extent possible.



**E. Foreign exchange earnings and out-go**

The Foreign Exchange earnings during the year was Rs. Nil (Previous year was. Nil) and the outgo during the year was 107,23,433/- (Previous year Rs. 15,43,521.29/-).

**For and on behalf of the Board of Directors**

**sd/-**

**M.K Chouhan  
Independent Director**

**sd/-**

**Rishi Gupta  
Managing Director & CEO**

Place :Navi Mumbai  
Date : May 15, 2020

**ANNEXURE D**  
**Annexure to the Directors' Report**

**FORM NO. 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 (b) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Sl No.	Particulars	Amount (Rs)	Amount (Rs)	Amount (Rs)	Amount (Rs)	Amount (Rs)
1	Details of contracts or arrangements or transactions not at arm's length basis					
	(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	Fino PayTech Holding Company	Fino Finance Pvt. Ltd. - Fellow Subsidiary	Bharat Petroleum Corporation Limited	Fino Finance Pvt. Ltd. - Fellow Subsidiary	Fino PayTech Ltd. - Holding Company
(b)	Nature of contracts/arrangements/transactions	Reimbursement of Expenses	Reimbursement of Expenses	Rent for BPCL locations	Cash Management Services	Service Charges for Fleet cards Business.
(c)	Duration of the contracts/arrangements/transactions	01 April 19 to 31 March 20	01 April 19 to 31 March 20	01 April 19 to 31 March 20	01 April 19 to 31 March 20	26 April 19 to 31 March 20
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	On Actuals- Transaction Value of Rs. 2,62,41,849 Fino PayTech allocates a portion of its office space for Fino Payments Bank so as to make seating arrangements for limited number of employees for smooth functioning of day to day operations of the Bank. The cost of shared office space is derived on the basis of number of seats being utilised by the bank. Cost of office space used by the Bank = (Per employee seating cost at particular location of PayTech calculated at the month end * Number of employees/ seats of the Bank.	No. of Branches X fixed cost per branch per month- Transaction Value of Rs. 5,57,87,806. Fino Finance Private Limited shall make available some space in office premises in locations wherever available and required by Bank on need basis. Bank shall pay FFPL an amount towards use of office premises and overhead costs. Cross charge is calculated at per Branch and based on number of branches active for the time period.	In the normal course of business, Transaction Value - Rs. 32,61,561. BPCL has provided the space to Payments Bank for carrying out Payments bank services and other allied facilities at its petrol pumps. This is towards the rent paid to BPCL for use of their premises as Fino Payments Bank's branch.	In the normal course of business - Amount of Rs. 89,87,765. Fino Payments Bank is providing cash management and collection services and cash deposit at branches/merchant points for Fino Finance Pvt Ltd.	In the normal course of business- Amount of Rs. 2,47,16,198. Fino Payments Bank is providing its infrastructure and wide distribution network to Fino PayTech Limited for carrying out Fleet card services for BPCL.
(e)	Date(s) of approval by the Board, if any:					
(f)	Amount paid as advances, if any.					

For and on behalf of the Board of Directors

sd/-

Place : Navi Mumbai  
Date : 15-May-20

Mr. M.K Chouhan  
Independent Director

Mr. Rishi Gupta  
Managing Director & CEO

## **INDEPENDENT AUDITORS' REPORT**

**To the Members of Fino Payments Bank Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Fino Payments Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") 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, of the state of affairs of the Bank as at March 31, 2020 and its loss and its cash flows for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' 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 ("the 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**

We draw attention to Note 42 to the financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial statements will depend on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

#### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's Board report but does not include the financial statements and our auditors' report thereon. The Bank's Board Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will 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 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 Bank's Board Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditors' responsibilities Relating to Other Information'.

#### **Responsibilities of the Management and Those charged with Governance for Financial Statements**

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India from time to time as applicable to Bank. 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.

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 Auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

#### **Other Matter**

The financial statements of the Bank for the year ended March 31, 2019, were audited by another auditor whose report dated May 22, 2019 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. 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 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by sub-section 3 of Section 30 of the Banking Regulation Act, 1949, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;
  - b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
  - c) Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.
3. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
  - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;
  - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
  - g) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended;

The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under section 197 of the Companies Act, 2013 do not apply; and

- h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
  - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12, Schedule 17(C)(11) and Schedules 18(34)(iv) & 18(41) to the financial statements;
  - ii. The Bank has made provision as at March 31, 2020, as required under the applicable law or accounting standard, for material foreseeable losses, if any, on long term contracts. The Bank does not have any derivative contracts as at March 31, 2020;
  - iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Bank.

**For MSKC & Associates (Formerly known as R. K. Kumar & Co.)**

**Chartered Accountants**

ICAI Firm Registration Number: 001595S

*Tushar Kurani*

Tushar Kurani

Partner

Membership No. 118580

UDIN: 20118580AAAABF4314

Mumbai

May 15, 2020



## **ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FINO PAYMENTS BANK LIMITED**

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Fino Payments Bank Limited on the Financial Statements for the year ended March 31, 2020]

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

We have audited the internal financial controls with reference to financial statements of Fino Payments Bank Limited ("the Bank") as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control 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 ("the ICAI") ("the Guidance Note"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

### **Meaning of Internal Financial Controls With reference to Financial Statements**

A Bank's internal financial control 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 control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of the Management and the directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls With reference to financial statements**

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

### **Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

**For MSKC & Associates (Formerly known as R. K. Kumar & Co.)**

**Chartered Accountants**

ICAI Firm Registration Number: 001595S



Tushar Kurani  
Partner  
Membership No. 118580

UDIN: 20118580AAAABF4314

Mumbai  
May 15, 2020

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Balance Sheet

as at 31 March 2020

(Currency : Indian Rupees in thousands)

	Schedule	As at 31 March 2020	As at 31 March 2019
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	4,45,800	4,45,800
Reserves and surplus	2	8,54,930	11,75,294
Deposits	3	11,75,295	4,75,400
Borrowings	4	11,07,903	8,29,029
Other liabilities and provisions	5	26,56,088	39,15,204
		<b>62,40,016</b>	<b>68,40,727</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	13,08,079	15,74,489
Balances with banks and money at call and short notice	7	17,11,716	23,08,583
Investments	8	12,82,701	7,32,025
Advances	9	1,023	799
Fixed assets	10	4,94,922	4,22,307
Other Assets	11	14,41,575	18,02,524
		<b>62,40,016</b>	<b>68,40,727</b>
Contingent liabilities	12	43,403	43,403
Bills for collection		-	-
The accompanying Significant accounting policies and notes form integral part of financial statements	17 & 18		


As per our report of even date attached


For **MSKC & Associates**  
(Formerly known as R.K. Kumar & Co.)  
Chartered Accountants  
ICAI Firm Registration No: 001595S




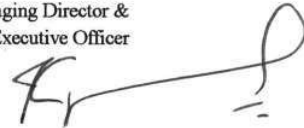
**Tushar Kurani**  
Partner  
Membership No: 118580


For and on behalf of the Board of Directors  
**Fino Payments Bank Limited**

  
**M K Chouhan**  
Independent Director

  
**Rishi Gupta**  
Managing Director &  
Chief Executive Officer

  
**Suresh Kumar Jain**  
Independent Director

  
**Ketan Merchant**  
Chief Financial Officer

  
**Basavraj Loni**  
Company Secretary &  
AVP - Legal

Place : Mumbai  
Date : 15 May 2020

Place : Navi Mumbai  
Date : 15 May 2020



**Fino Payments Bank Limited**  
(formerly known as Fino Fintech Limited)

**Statement of Profit and Loss**  
for the year ended 31 March 2020

(Currency : Indian Rupees in thousands)

<b>PARTICULARS</b>	<b>Schedule</b>	<b>For the year ended 31 March 2020</b>	<b>For the year ended 31 March 2019</b>
<b>I INCOME</b>			
Interest earned	13	1,81,300	1,91,519
Other income	14	67,32,673	35,19,686
		<b>69,13,973</b>	<b>37,11,205</b>
<b>II EXPENDITURE</b>			
Interest expended	15	98,680	55,276
Operating expenses	16	71,25,320	42,70,421
Provisions and contingencies		10,335	9,345
		<b>72,34,335</b>	<b>43,35,042</b>
<b>III PROFIT/LOSS</b>			
Net profit /(loss) for the year		(3,20,362)	(6,23,837)
Profit/(loss) brought forward		(28,69,424)	(22,45,587)
		<b>(31,89,786)</b>	<b>(28,69,424)</b>
<b>IV APPROPRIATIONS</b>			
Transfer to statutory reserve		-	-
Balance carried over to Balance Sheet		<b>(31,89,786)</b>	<b>(28,69,424)</b>
<b>EARNING PER EQUITY SHARE (Face value of Rs.10 per share)</b>			
Basic (Rs.)		(7.19)	(13.99)
Diluted (Rs.)		(7.19)	(13.99)

Significant accounting policies and notes to the financials 17 & 18

The schedules referred to above form an integral part of the Statement of profit and loss

As per our report of even date attached

**For MSKC & Associates**  
(Formerly known as R.K. Kumar & Co.)  
Chartered Accountants  
ICAI Firm Registration No: 001595S

*Tushar Kurani*

**Tushar Kurani**  
Partner  
Membership No: 118580

**For and on behalf of the Board of Directors**  
**Fino Payments Bank Limited**

*M K Chouhan*  
**M K Chouhan**  
Independent Director

*Rishi Gupta*  
**Rishi Gupta**  
Managing Director &  
Chief Executive Officer

*Suresh Kumar Jain*  
**Suresh Kumar Jain**  
Independent Director

*Ketan Merchant*  
**Ketan Merchant**  
Chief Financial Officer

*Basavraj Loni*  
**Basavraj Loni**  
Company Secretary &  
AVP - Legal

Place: Mumbai  
Date: 15 May 2020

Place: Navi Mumbai  
Date: 15 May 2020

**Fino Payments Bank Limited**  
(formerly known as Fino Fintech Limited)

**Cash Flow Statement**

for the year ended 31 March 2020

(Currency : Indian Rupees in thousands)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>I Cash Flow from operating activities</b>		
Net loss for the year (before taxes)	(3,20,362)	(6,23,837)
Adjustments for:-		
Loss / (Profit) on Sale of Fixed Assets (Net)	(2,859)	(53)
Add : Non-Cash Expenditure		
Depreciation	2,35,659	1,82,585
Provision for doubtful debts and advances	10,335	9,345
Gratuity	22,969	14,684
Compensated absence	9,514	13,912
	<u>(44,744)</u>	<u>(4,03,364)</u>
<b>Cash Flow before working capital changes</b>		
Adjustments for working capital changes:-		
Increase/(decrease) in deposits	6,99,895	83,125
Increase/(decrease) in advances	(224)	(196)
Increase/(decrease) in other liabilities and provisions	(12,91,599)	16,24,585
(Increase)/decrease in investments	(5,50,676)	(94,288)
(Increase)/decrease in other assets	2,82,366	(9,76,941)
Direct tax( paid)/received (net of refunds)	68,247	53,448
<b>Net cash used in operating activities</b>	<u>(8,36,735)</u>	<u>2,86,369</u>
<b>II Cash Flow from investing activities</b>		
Addition to fixed assets (including capital work in progress)	(3,09,336)	(1,37,813)
Sale of Fixed assets	3,920	1,602
<b>Net cash used in investing activities</b>	<u>(3,05,416)</u>	<u>(1,36,211)</u>
<b>III Cash Flow from financing activities</b>		
Net proceeds from borrowings	2,78,874	3,49,658
<b>Net cash from financing activities</b>	<u>2,78,874</u>	<u>3,49,658</u>
<b>IV Net (Decrease)/Increase during the year</b>	<u>(8,63,277)</u>	<u>4,99,816</u>
<b>V Cash and cash equivalents at the beginning of the year</b>	<u>38,83,072</u>	<u>33,83,256</u>
<b>VI Cash and cash equivalents at the end of the year</b>	<u><u>30,19,795</u></u>	<u><u>38,83,072</u></u>
<b>Notes to the Cash Flow Statement:</b>		
Cash and cash equivalents includes the following:		
(i) Cash and balances with Reserve Bank of India (Refer Schedule 6)	13,08,079	15,74,489
(ii) Balances with banks and money at call and short notice (Refer Schedule 7)	17,11,716	23,08,583
<b>Cash and cash equivalents at the end of the year</b>	<u><u>30,19,795</u></u>	<u><u>38,83,072</u></u>

As per our report of even date attached

**For MSKC & Associates**  
(Formerly known as R.K. Kumar & Co.)  
Chartered Accountants  
ICAI Firm Registration No: 001595S

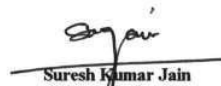


**Tushar Kurani**  
Partner  
Membership No: 118580

**For and on behalf of the Board of Directors**  
**Fino Payments Bank Limited**  
(formerly known as Fino Fintech Limited)

  
**M K Chouhan**  
Independent Director

  
**Rishi Gupta**  
Managing Director &  
Chief Executive Officer

  
**Suresh Kumar Jain**  
Independent Director

  
**Ketan Merchant**  
Chief Financial Officer

  
**Basavraj Loni**  
Company Secretary &  
AVP - Legal

Place: Mumbai  
Date: 15 May 2020

Place: Navi Mumbai  
Date: 15 May 2020



# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 1 CAPITAL

Particulars	31 Mar 2020	31 March 2019
<b>Authorised Capital</b>		
85,000,000 ordinary equity shares of Rs.10/- each	8,50,000	8,50,000
(previous year 1,00,000,000 ordinary equity shares of Rs. 10/- each)		
<b>Issued, subscribed and paid-up capital</b>		
44,579,997 ordinary equity shares of Rs. 10/- each	4,45,800	4,45,800
(previous year 44,579,997 ordinary equity shares of Rs. 10/- each)		
<b>TOTAL</b>	<b>4,45,800</b>	<b>4,45,800</b>

### 2 RESERVES & SURPLUS

Particulars	31 Mar 2020	31 March 2019
<b>1. Statutory Reserve</b>		
(i) Opening balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>2. Capital Reserve</b>		
(i) Opening balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>3. Revaluation Reserve</b>		
(i) Opening balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year (Depreciation on revalued portion credited to Statement of Profit and Loss)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>4. Share Premium</b>		
(i) Opening balance	40,44,718	40,44,718
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
<b>Total</b>	<b>40,44,718</b>	<b>40,44,718</b>
<b>5. Revenue &amp; Other Reserves</b>		
(i) Opening balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>6. Investment Reserve</b>		
(i) Opening balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>7. Balance in Statement of Profit &amp; Loss</b>	<b>(31,89,788)</b>	<b>(28,69,424)</b>
<b>TOTAL (1 to 7)</b>	<b>8,54,930</b>	<b>11,75,294</b>

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 3 DEPOSITS

Particulars	31 Mar 2020	31 March 2019
<b>A. 1. Demand deposits</b>		
i) From banks	-	-
ii) From others	16,404	19,786
<b>Total</b>	<b>16,404</b>	<b>19,786</b>
<b>2. Savings bank deposits</b>	<b>11,58,891</b>	<b>4,55,614</b>
<b>3. Term deposits</b>		
i) From banks	-	-
ii) From others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>TOTAL ( 1 to 3 )</b>	<b>11,75,295</b>	<b>4,75,400</b>
<b>B. i. Deposits of branches in India</b>	<b>11,75,295</b>	<b>4,75,400</b>
<b>ii. Deposits of branches outside India</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>11,75,295</b>	<b>4,75,400</b>

### 4 BORROWINGS

Particulars	31 Mar 2020	31 March 2019
<b>1. Borrowings in India</b>		
(i) Reserve Bank of India	-	-
(ii) Other banks	11,07,903	8,29,029
(iii) Other institutions and agencies	-	-
(iv) Subordinated debt	-	-
<b>Total</b>	<b>11,07,903</b>	<b>8,29,029</b>
<b>2. Borrowings outside India</b>	<b>-</b>	<b>-</b>
<b>TOTAL ( 1 + 2 )</b>	<b>11,07,903</b>	<b>8,29,029</b>

### 5 OTHER LIABILITIES AND PROVISIONS

Particulars	31 Mar 2020	31 March 2019
<b>1. Bills payable</b>	<b>-</b>	<b>-</b>
<b>2. Inter office adjustments (Net)</b>	<b>-</b>	<b>-</b>
<b>3. Interest accrued</b>	<b>372</b>	<b>404</b>
<b>4. Others (including provisions) (Refer note 5.1 below)</b>	<b>26,55,716</b>	<b>39,14,800</b>
<b>TOTAL ( 1 to 4 )</b>	<b>26,56,088</b>	<b>39,15,204</b>

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

Particulars	31 Mar 2020	31 March 2019
1. Cash in hand	1,05,760	1,67,722
2. Balances with Reserve Bank of India		
(i) In current account	12,02,319	14,06,767
(ii) In other accounts	-	-
<b>TOTAL ( 1 + 2 )</b>	<b>13,08,079</b>	<b>15,74,489</b>

### 7 BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

Particulars	31 Mar 2020	31 March 2019
1. <b>In India</b>		
(i) Balances with banks		
a) In current accounts	3,21,680	5,64,742
b) In other deposit accounts	13,90,036	17,43,841
(ii) Money at call and short notice		
a) With banks	-	-
b) With other institutions	-	-
<b>Total (i+ii)</b>	<b>17,11,716</b>	<b>23,08,583</b>
2. <b>Outside India</b>		
(i) a) In current accounts	-	-
(ii) b) In other deposit accounts	-	-
(iii) Money at call and short notice	-	-
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>-</b>
<b>TOTAL ( 1 + 2 )</b>	<b>17,11,716</b>	<b>23,08,583</b>

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 8 INVESTMENTS

Particulars	31 Mar 2020	31 March 2019
<b>1. Investments in India in</b>		
(i) Government securities	12,82,701	7,32,025
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures & bonds	-	-
(v) Subsidiaries / joint venture	-	-
(vi) Others	-	-
<b>Total</b>	<b>12,82,701</b>	<b>7,32,025</b>
<b>* Details of Others (vi)</b>		
(i) NABARD / SIDBI / NHB Deposit	-	-
(i) Commercial paper & certificates of deposit	-	-
(ii) Mutual funds	-	-
(iii) Venture capital fund	-	-
(iv) Pass through certificates	-	-
(v) Security receipts	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>2. Investments Outside India in</b>		
(i) Government securities (Including local authorities)	-	-
(ii) Subsidiaries / joint venture abroad	-	-
(iii) Other investments	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>TOTAL ( 1 + 2 )</b>	<b>12,82,701</b>	<b>7,32,025</b>
<b>3 Investments</b>		
(i) Gross value of investments		
a) In India	12,82,701	7,32,025
b) Outside India	-	-
(ii) Provision for depreciation		
a) In India	-	-
b) Outside India	-	-
(iii) Net value of investments		
a) In India	12,82,701	7,32,025
b) Outside India	-	-
<b>Total</b>	<b>12,82,701</b>	<b>7,32,025</b>

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 9 ADVANCES

Particulars	31 Mar 2020	31 March 2019
<b>A.</b>		
(i) Bills purchased and discounted	-	-
(ii) Cash credits, overdrafts and loans repayable on demand	-	-
(iii) Term loans	1,023	799
<b>Total</b>	<b>1,023</b>	<b>799</b>
<b>B.</b>		
(i) Secured by tangible assets (Includes advances against fixed deposits and book debts)	-	-
(ii) Covered by bank/government guarantees	-	-
(iii) Unsecured	1,023	799
<b>Total</b>	<b>1,023</b>	<b>799</b>
<b>C.1 Advances in India</b>		
(i) Priority sector	-	-
(ii) Public sector	-	-
(iii) Banks	-	-
(iv) Others	1,023	799
<b>Total</b>	<b>1,023</b>	<b>799</b>
<b>C.2 Advances Outside India</b>		
(i) Due from banks	-	-
(ii) Due from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>TOTAL (C.1 + C.2)</b>	<b>1,023</b>	<b>799</b>

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 10 FIXED ASSETS

Particulars	31 Mar 2020	31 March 2019
<b>1. Premises (including land)</b>		
(i) At cost at 31 March of the preceding year	-	-
(ii) Additions during the year	-	-
Total	-	-
(iii) Deductions during the year	-	-
(iv) Accumulated depreciation to date	-	-
<b>Total</b>	-	-
<b>2. Other Fixed Assets ( including furniture and fixtures)</b>		
(i) At cost at 31 March of the preceding year	7,91,574	6,46,018
(ii) Additions during the year	3,08,410	1,47,322
Total	10,99,984	7,93,340
(iii) Deductions during the year	7,898	1,767
(iv) Accumulated depreciation to date	6,01,564	3,72,742
<b>Total</b>	4,90,522	4,18,831
<b>3. Assets given on Lease</b>		
(i) At cost at 31 March of the preceding year	-	-
(i) Lease equalisation - opening balance	-	-
(ii) Additions during the year	-	-
(iii) Less: Provision held	-	-
(iv) Accumulated depreciation to date	-	-
<b>Total</b>	-	-
<b>4. Capital work in progress</b>	4,400	3,476
<b>TOTAL ( 1 to 4 )</b>	4,94,922	4,22,307

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 11 OTHER ASSETS

Particulars	31 Mar 2020	31 March 2019
1. Inter-office adjustment (Net)	-	-
2. Interest accrued	11,162	10,955
3. Tax paid in advance/tax deducted at source (Net of provision)	1,43,046	2,10,536
4. Stationery and stamps	-	-
5. Deferred tax assets (Net) (Refer Schedule 18-Note 13)	-	-
6. Others	12,87,367	15,81,033
<b>TOTAL ( 1 to 6 )</b>	<b>14,41,575</b>	<b>18,02,524</b>

### 12 CONTINGENT LIABILITIES

Particulars	31 Mar 2020	31 March 2019
1. Claims against the bank not acknowledged as debts	-	-
2. Liability for partly paid investment	-	-
3. Liability on account of outstanding forward exchange contracts	-	-
4. Liability on account of outstanding derivative contracts	-	-
(i) Interest rate swaps	-	-
(ii) Cross currency swaps	-	-
(iii) Currency options	-	-
(iv) Currency futures	-	-
(v) Interest rate futures	-	-
5. Guarantees given on behalf of constituents	-	-
(i) In India	-	-
(ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable	-	-
a) Income tax & other matters (under appeal)	6,578	6,578
b) Others	36,825	36,825
<b>TOTAL ( 1 to 7 )</b>	<b>43,403</b>	<b>43,403</b>
<b>(Refer note: 34 )</b>		

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedules to the Financial Statements (Continued)

as at 31 Mar 2020

(Currency : Indian Rupees in thousands)

### 13 INTEREST EARNED

Particulars	For the Year ended 31 Mar 2020	For the Year ended 31 Mar 2019
1. Interest / Discount on Advances / bills	88	85
2. Income on Investments	48,164	47,013
3. Interest on balances with Reserve Bank of India and other inter-bar	1,24,666	1,28,159
4. Other interest	8,382	16,262
<b>TOTAL ( 1 to 4 )</b>	<b>1,81,300</b>	<b>1,91,519</b>

### 14 OTHER INCOME

Particulars	For the Year ended 31 Mar 2020	For the Year ended 31 Mar 2019
1. Commission, Exchange and Brokerage	60,45,353	33,04,983
2. Profit/(loss) on sale of Investments (Net)	(90)	(41)
3. Profit /(loss) on sale of land, building and other assets (Net)	2,859	53
4. Profit/(loss) on exchange transactions (Net)	-	-
5. Miscellaneous Income	6,84,551	2,14,691
<b>TOTAL ( 1 to 5 )</b>	<b>67,32,673</b>	<b>35,19,686</b>

### 15 INTEREST EXPENDED

Particulars	For the Year ended 31 Mar 2020	For the Year ended 31 Mar 2019
1. Interest on Deposits	27,651	12,399
2. Interest on Reserve Bank of India / Inter-Bank Borrowings	70,872	42,867
3. Others	157	10
<b>TOTAL ( 1 to 3 )</b>	<b>98,680</b>	<b>55,276</b>

### 16 OPERATING EXPENSES

Particulars	For the Year ended 31 Mar 2020	For the Year ended 31 Mar 2019
1. Payments to and provisions for employees	12,38,830	12,71,995
2. Rent, taxes and lighting	1,70,520	1,62,033
3. Printing and stationery	9,181	35,393
4. Advertisement and publicity	70,833	41,964
5. Depreciation on banks property	2,35,659	1,82,585
6. Director's fees Allowances and expenses	6,837	5,653
7. Auditors' fees and expenses (Including branch auditor's fees and expenses)	4,320	5,425
8. Law Charges	32,269	22,901
9. Postage, Telegrams, Telephones, etc.	1,10,556	97,740
10. Repairs and maintenance	61,978	70,334
11. Insurance	26,434	19,670
12. Other Expenditure	51,57,903	23,54,728
<b>TOTAL ( 1 to 12 )</b>	<b>71,25,320</b>	<b>42,70,421</b>



# **Fino Payments Bank Limited**

*(formerly known as Fino Fintech Limited)*

## **Schedule 17 - Significant accounting policies appended to and forming part of the financial statements**

*for the year ended 31 March 2020*

### **A. Background and nature of operations**

Fino Payments Bank Limited ('the Bank') was originally incorporated as Fino Fintech Foundation on 23 June 2007, for promoting objects of the nature specified in Section 8, sub-section (1), clause (a) of the Companies Act, 2013 ('the Act') and that it intends to apply its profits if any, or other income in promoting its objects and to prohibit the payment of any dividends to its members.

The Reserve Bank of India ('RBI') issued a license to the Bank on 30 March 2017 under Section 22 (1) of the Banking Regulation Act, 1949 to carry on the business of Payments Bank in India. Pursuant to the resolution passed in the extra ordinary general meeting held on 31 March 2017, the name of the Bank was changed from Fino Fintech Limited to Fino Payments Bank Limited with effect from 04 April 2017. The Bank commenced operations as a Payments Bank with effect from 30 June 2017. The Bank offers services such as current and savings accounts, remittances, business correspondent, mobile banking, bill payments and third party financial products distribution. The Bank is engaged in providing various types of financial services to the rural, poor and underserved and unserved classes to help them be economically self-reliant.

Fino Payments Bank Limited is a wholly owned subsidiary of FINO PayTech Limited ('the Holding Company') which is engaged in providing business and banking technology platform based solutions and services related to financial inclusion.

These financial statements are presented in Indian Rupees ('Rupees' or 'Rs.') and all amounts are rounded to the nearest thousands, except as stated otherwise.

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (*Continued*)

for the year ended 31 March 2020

### **B. Basis of preparation of financial statements**

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India (GAAP), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time, Accounting Standards (AS) specified under Section 133 of the Act to the extent applicable, in so far as they apply to bank's and current practices prevailing within the banking industry in India.

#### **Use of estimates**

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

### **C. Principal accounting policy**

#### **1. 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, if done, is also done in accordance with these guidelines. HTM investments are made only out of own funds.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

The Bank follows settlement date accounting for recording purchase and sale of investments.

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (*Continued*)

for the year ended 31 March 2020

### C. Principal accounting policy (*Continued*)

#### 1. Investments (*Continued*)

##### **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:**

Broken period interest on debt instruments and government securities are considered as a revenue item under Statement of Profit and Loss as per RBI guideline. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments is recognised in Statement of Profit and Loss.

##### **Disposal of Investments:**

- a. **Investments classified as HFT or AFS** - Profit or loss on sale or redemption is recognised in the Statement of Profit and Loss.
- b. **Investment classified as HTM** - Profit on sale or redemption of investment is recognised in the Statement of Profit and Loss and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale of redemption is recognised in the Statement of Profit and Loss.

##### **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 Financial Benchmark India Pvt Ltd (FBIL), 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 FBIL.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at Rs. 1 as per the RBI guidelines.

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (*Continued*)

for the year ended 31 March 2020

### C. Principal accounting policy (*Continued*)

#### 1. Investments (*Continued*)

##### Valuation (*Continued*):

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

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

Net depreciation in the value, if any, compared to the acquisition cost, in any of the groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the groups is not recognised except to the extent of depreciation already provided.

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

The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

In accordance with the RBI guidelines, repo and reverse repo transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

#### 2. Advances

As per the Operating guidelines for Payments Bank issued by RBI on 06 October 2016 ('the Operating Guidelines'), Payments Banks (PBs) are not permitted to lend to any person including their directors. However, PBs may lend to their own employees out of the Bank's own funds, as per a Board approved policy outlining the caps on such loans.

In accordance with the Operating guidelines, the Bank has classified employee loans as advances, as per the Employee loan policy, duly approved by Board. Employees who are confirmed and have completed at least one year of service with the Bank are entitled to avail loan. The Bank follows the process of recovering monthly installments due from respective employees while processing monthly salary.

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (Continued)

for the year ended 31 March 2020

### C. Principal accounting policy (Continued)

#### 3. Deposits

As per the Operating guidelines PBs can accept only savings and current deposits. The aggregate limit per customer shall not exceed Rs. 100,000. PBs are permitted for making arrangements with any other Scheduled Commercial Bank / SFB (Small Finance Bank), for amounts in excess of the prescribed limits, to be swept into an account opened for the customer at that bank, with the prior written consent of the customer.

The above limit shall apply to customer deposits and not to any security / earnest money deposit the Bank may collect from any of its service providers in the ordinary course of business.

#### 4. Fixed assets and depreciation

Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred. Capital work in progress is valued at cost.

Gains and losses arising from retirement or disposal of the tangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in Statement of Profit and Loss on the date of retirement or disposal.

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses if any.

Depreciation is charged over the estimated useful life of the fixed assets. The management believes that the useful life of assets assessed by the Bank, pursuant to the Act, taking into account changes in the environment, changes to the technology, the utility and the efficacy of the asset in use, fairly reflects its estimate of useful life of the fixed assets. The estimated useful life of key fixed assets are given below

Class of asset	Useful life
Computers hardware	3 Years
Motor car	5 Years
Office equipments	5 Years
Furniture and fixtures	10 Years
Leasehold improvements	Over the period of lease
Computer software	5 Years
Plant and machinery	5 Years

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (*Continued*)

for the year ended 31 March 2020

### C. Principal accounting policy (*Continued*)

#### 4. Fixed assets and depreciation (*Continued*)

All fixed assets are depreciated as per written down value method except for Leasehold improvements, Computer hardware, Computer software and Plant and machinery, which are being depreciated as per straight line method.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of purchase.

#### 5. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. 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 risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### 6. Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the balance sheet.

#### 7. Revenue recognition

- (i) Interest income on deposits with Bank's and financial institutions is recognised on a time proportion basis taking into account the amount outstanding and the implicit rate of interest.
- (ii) Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.



# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (Continued) for the year ended 31 March 2020

### C. Principal accounting policy (Continued)

#### 7. Revenue recognition (Continued)

- (iii) Transaction fee is recognised on the completion of individual transactions made through Point of Transaction (POT) devices.
- (iv) Disbursement fee includes remittance and service fees which are recognised based on the amount of disbursements / remittances / collections made through POT devices.
- (v) Business correspondent fee is recognised on the allotment of POT devices to individual agents.
- (vi) Account maintenance fees are recognised on the basis of number of accounts maintained.
- (vii) Agent registration fee is recognised on receipt of non-refundable agent deposit.
- (viii) Insurance broking income is recognised based on the numbers of policies sold to customers on behalf of insurance companies.
- (ix) Service revenue is recognised on completion of provision of services. Revenue, net of discount is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realization of consideration.
- (x) Field support service is recognised on distribution of cards to the account holders.
- (xi) Third party financial products processing fees are recognised on an upfront basis.
- (xii) Retail income including annual charges relating to debit cards issuance is recognised to the extent of balance available in the customer's account.
- (xiii) All other fees are accounted for as and when they become due.

#### 8. Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. The total lease rentals in respect of assets taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

#### 9. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income Tax Act, 1961) and deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the year).

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## **Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (*Continued*)** for the year ended 31 March 2020

### **C. Principal accounting policy (*Continued*)**

#### **9. Taxation (*Continued*)**

##### *Current tax*

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the tax laws applicable.

##### *Deferred taxation*

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### *Minimum Alternate Tax ('MAT')*

MAT under the provisions of the Income Tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Income Tax Act, 1961 in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during the period for which the MAT can be carried forward for set off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

#### **10. Earnings per share**

The Bank reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## **Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (Continued)**

for the year ended 31 March 2020

### **C. Principal accounting policy (Continued)**

#### **11. Provisions, contingent liabilities and contingent assets**

The Bank creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigations, assessment fines, penalties etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### **12. Provision for bad and doubtful debts**

The Bank creates 100% provision against all receivables outstanding for more than 270 days or earlier where recovery is considered doubtful.

#### **13. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, balances with RBI, balances with other Bank's and money at call and short notice.

#### **14. Employee benefits**

Post employment benefits

##### *Defined contribution plan*

The Bank makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Bank's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

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# Fino Payments Bank Limited

(formerly known as Fino Fintech Limited)

## Schedule 17 - Significant accounting policies appended to and forming part of the financial statements (Continued)

for the year ended 31 March 2020

### C. Principal accounting policy (Continued)

#### 14. Employee benefits (Continued)

##### *Defined benefit plan*

The Bank's gratuity benefit scheme is a defined benefit plan. The Bank's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation of the Bank's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

The Bank recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss. All expenses related to defined benefit plans are recognised in employee benefits expense in the Statement of Profit and Loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. The Bank recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

##### *Compensated absences*

Compensated absences balance upto 7 days are encashed at the end of financial year on the basic salary. Encashment of more than 7 days of leave is not permitted. Leave balance over 7 days will lapse at the end of financial year.

#### 15. Employee stock purchase / options

Employees of the Bank may be entitled to stock purchase / stock options scheme offered by the Holding Company.

# Fino Payments Bank Limited

(Formerly known as Fino Fintech Limited)

## Notes to accounts forming part of financial statements (Continued)

For the year ended 31 March 2020

(Currency: Indian Rupees in thousands)

### Schedule 18 - Notes to accounts (Continued)

#### 1. Capital adequacy

Capital adequacy ratio as per the Guidelines and as per Basel II Standardized Approach for Credit Risk, as at 31 March 2020 is given below:

Particulars	(Rs. in crore)	
	2019-20	2018-19
(i) Common Equity Tier 1 (CET) capital ratio (%)	60.87%	65.45%
(ii) Tier I capital ratio (%)	60.87%	65.45%
(iii) Tier II capital ratio (%)	-	-
(iv) Total capital ratio (CRAR) (%)	60.87%	65.45%
(v) Percentage of the shareholding of the Government of India in Public Sector banks		-
(vi) Amount of Equity capital raised	-	-
(vii) Amount of Additional Tier 1 capital raised	-	-
(viii) Amount of Tier 2 capital raised	-	-

As per the notification no. DBR.NBD.No.4503/16.13.218/2017-18 dated 08 November 2017, PBs are exempted from maintaining capital for market risk and operational risk.

During the year ended 31 March 2020 the Bank has not raised any Capital.

#### 2. Investments

##### 2.1 Movement of investments:

Particulars	(Rs. in crore)	
	2019-20	2018-19
(1) Value of investments		
(i) Gross value of investments		
(a) In India	128.27	73.20
(b) Outside India	-	-
(ii) Provisions for depreciation(including provision for NPI)		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	128.27	73.20
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation of investments (including provision for NPIs)		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off / write back of excess / provisions (including provision for NPIs) during the year	-	-
(iv) Closing balance	-	-

## 2.2 Repo / reverse repo transactions:

The Bank undertook one repo transaction against Treasury Bill during the current year. Details are given as under. The Bank has not undertaken any repo/reverse repo transactions during the previous year ended 31<sup>st</sup> March 2019.

(Amount in ₹ crore)				
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31
Securities sold under repo				
i. Government securities	5.01	5.01	5.01	-
ii. Corporate debt securities				
Securities purchased under reverse repo				
i. Government securities	-	-	-	-
ii. Corporate debt securities				

## 2.3 Non SLR investment portfolio:

The Bank does not hold any investment in non SLR securities as at 31 March 2020 (Previous Year- NIL). Accordingly, the disclosure requirements with respect to non SLR investment portfolio are not applicable.

## 2.4 Sale and transfer to / from HTM category:

As per the Operating guidelines, PBs are not permitted to classify any investment, other than those made out of their own funds, as HTM category. Further the investments made out of their own funds shall not, in any case be, in assets or investments in respect of which the promoter / a promoter group entity is a direct or indirect obligor.

During the current and the previous year, the Bank has not classified any investment under HTM category.

Accordingly, the disclosure requirements with respect to sale and transfer to / from HTM category are not applicable.

## 3. Derivative contracts

The Bank has not undertaken any derivative transactions during the current year and the previous year. Accordingly, the disclosure requirements with respect to derivative contracts are not applicable.



#### 4. Asset quality

As per the Operating guidelines PBs are not permitted to lend to any person including their directors. However, PBs may lend to their own employees out of the Bank's own funds, as per a Board approved policy outlining the caps on such loans.

In accordance with the Operating guidelines, as at 31 March 2020, the Bank had classified employee loan amounting to Rs. 0.10 Crore as advances (Previous Year Rs. 0.08 Crore). The Bank follows the process of recovering monthly installments due from respective employees while processing monthly salary.

Accordingly, the disclosure requirements with respect to Asset quality are not applicable.

#### 5. Business ratios

Particulars	2019-20	2018-19
(i) Interest income as % to Working funds <sup>1</sup>	5.16%	5.39%
(ii) Non-interest income as % to Working funds	191.77%	99.09%
(iii) Operating profit <sup>2</sup> as % to Working funds	(8.83%)	(17.30%)
(iv) Return on assets (Working funds)	(9.13%)	(17.56%)
(v) Business <sup>3</sup> (Deposit plus advance) per employee (Rs. in crore)	0.04	0.02
(vi) Profit per employee <sup>4</sup> (Rs. in crore)	(0.01)	(0.02)

1. Working funds to be reckoned as average of total assets (excluding accumulated losses, if any)
2. Operating profit is net profit for the year before provisions and contingencies.
3. Business is the total of net advances and deposits (net of inter-bank deposits).
4. Productivity ratios are based on average employee number.

# Fino Payments Bank Limited

(Formerly known as Fino Fintech Limited)

## Notes to accounts forming part of financial statements (Continued)

For the year ended 31 March 2020

(Currency: Indian Rupees in thousands)

### Schedule 18 - Notes to accounts (Continued)

#### 6. Maturity pattern of key assets and liabilities

Particulars	2019-20					(Rs. in Crore)
	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day	7.41	-	39.03	-	-	-
2 to 7 days	12.76	-	-	0.01	-	-
8 to 14 days	0.03	-	-	-	-	-
15 to 30 Days	12.83	-	41.91	-	-	-
31 Days to 2 months	1.37	-	10.47	0.01	-	-
Over 2 months to 3 months	-	-	-	0.01	-	-
Over 3 months to 6 months	6.04	-	1.14	39.86	-	-
Over 6 months to 1 year	-	0.10	2.15	70.71	-	-
Over 1 year to 3 years	77.09	-	33.57	0.23	-	-
Over 3 years to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>117.53</b>	<b>0.10</b>	<b>128.27</b>	<b>110.83</b>	<b>-</b>	<b>-</b>

Particulars	2018-19					
	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day	0.50	-	15.05	-	-	-
2 to 7 days	3.06	-	-	0.01	-	-
8 to 14 days	3.57	-	-	-	-	-
15 to 30 Days	-	-	32.12	-	-	-
31 Days to 2 months	-	-	8.97	0.01	-	-
Over 2 months to 3 months	-	-	1.25	0.01	-	-
Over 3 months to 6 months	-	-	0.11	0.03	-	-
Over 6 months to 1 year	-	0.08	2.52	82.48	-	-
Over 1 year to 3 years	40.41	-	13.18	0.27	-	-
Over 3 years to 5 years	-	-	-	0.09	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>47.54</b>	<b>0.08</b>	<b>73.20</b>	<b>82.90</b>	<b>-</b>	<b>-</b>

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# Fino Payments Bank Limited

(Formerly known as Fino Fintech Limited)

## Notes to accounts forming part of financial statements (Continued)

For the year ended 31 March 2020

(Currency: Indian Rupees in thousands)

### Schedule 18 - Notes to accounts (Continued)

#### 7. Exposures

##### 7.1 Exposure to real estate sector :

The Bank does not have any exposure to real estate sector as at 31 March 2020 (Previous Year- NIL). Accordingly, the disclosure requirements with respect to exposure to real estate sector are not applicable.

##### 7.2 Capital market exposure :

The Bank does not have any exposure to capital market as at 31 March 2020 (Previous Year- NIL). Accordingly, the disclosure requirements with respect to capital market exposure are not applicable.

##### 7.3 Risk category wise country exposure :

The Bank's exposures are concentrated in India as at 31 March 2020 (Previous Year- NIL). Accordingly, the disclosure requirements with respect to category wise country risk exposure are not applicable.

##### 7.4 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the bank :

As per the Operating guidelines for PBs, PBs are not permitted to lend to any person, accordingly, the disclosure requirements with respect to SBL / GBL is not applicable.

##### 7.5 Unsecured advances :

As per the Operating guidelines for PBs, PBs are not permitted to lend to any person, accordingly, the disclosure requirements with respect to unsecured advances is not applicable.

#### 8. Penalties levied by RBI:

During the year ended 31 March 2020, no penalty was imposed on the Bank by RBI. During the previous year ended 31 March 2019, the RBI had imposed a monetary penalty of Rs 1 crore. As per RBI's operating guidelines for Payments Banks the aggregate limit for customer in the bank account shall not exceed Rs 1 lakh. It was observed that a few bank accounts had deposits in excess of this stipulated amount. In view of this development, RBI vide its letter dated 08 May 2018 had directed the Bank restricting it from opening new customer accounts. Consequently, the RBI has imposed a monetary penalty of Rs 1 crore for opening few accounts on 09 May 2018. The penalty amount was duly paid by the Bank. The Bank has provided confirmation on adherence to directions laid down by the RBI and taking note of the measures adopted by the Bank, the said restriction has been lifted by RBI vide letter dated 19 October 2018.

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**9. Employee benefits**

**Defined contribution plans:**

The Bank makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. Employer's contribution recognized and charged off for the year to defined contribution plans are as under:

Particulars	(Rs. in crore)	
	2019-20	2018-19
Provident fund	7.23	5.28

**Defined benefit plans:**

**Gratuity**

The Bank's gratuity benefit scheme is a defined benefit plan. The Bank's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The calculation of the Bank's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

The following table sets out the status of the Gratuity Plan as required under Accounting Standard 15.

**Change in the present value of the defined benefit obligation.**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Opening defined benefit obligation as at 01 April	6.51	5.71
Current service cost	1.15	0.98
Interest cost	0.44	0.38
Actuarial (gains)/losses	0.70	0.10
Benefits paid	(0.80)	(0.66)
Past service cost	-	0.00
Transfer from/to group companies	-	0.00
Closing defined benefit obligation as at 31 March	8.00	6.51

**Change in the plan assets**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Opening fair value of plan assets at 01 April	-	-
Expected return on plan assets	-	-
Employers contributions	-	-
Benefits paid	-	-
Actuarial gains/(losses) on plan assets	-	-
Closing fair value of plan assets at 31 March	-	-

*[Handwritten mark]*

9. **Employee benefits (Continued)**

**Reconciliation of present value of the obligations and fair value of the plan assets**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Present value of funded obligation at 31 March	8.00	6.51
Fair value of plan assets at 31 March	-	-
Deficit/(Surplus)	(8.00)	6.51
Net Liability/(Asset)	(8.00)	6.51

**Net cost recognised in the Statement of Profit and Loss**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Current service cost	1.15	0.98
Interest cost	0.44	0.38
Past service cost	0.00	0.00
Net actuarial (gains)/losses recognised during the year	0.70	0.10
Total cost of defined benefit plans included in schedule 16 payments to and provisions for employees	2.29	1.46

**Reconciliation of opening and closing net liability/(asset) recognised in balance sheet**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Opening net liability as at 01 April	6.51	5.71
Expenses recognised in Statement of Profit and Loss	2.29	1.46
Employers contribution	(0.80)	(0.66)
Transfer from/to group companies	0.00	0.00
Net liability/(asset) recognised in balance sheet	8.00	6.51

**Key Actuarial Assumptions**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Discount rate	5.05%	6.75%
Expected rate of return on plan asset	-	-
Salary escalation	11.3% for the first two years and 8% thereafter	9.60%
Withdrawal rate	42.00%	38.00%
Mortality rate	100% of IALM 2012-14	IALM 2006-08 Ultimate

9. **Employee benefits (Continued)**

**Experience Adjustment**

(Rs. in crore)

	2019-20	2018-19	2017-18	2016-17	2015-16
On Plan liabilities (gains) /losses	0.43	0.05	-	-	-
On Plan assets (losses)/gains	-	-	-	-	-

10. **Unamortized Pension and Gratuity liabilities**

As at 31 March 2020 (31 March 2019: NIL), the Bank does not have any unamortized Pension and Gratuity liability.

11. **Segment reporting**

**Business segments**

In terms of the AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated 18 April 2007 read with DBR.BP.BC No.23/21.04.018/2015-16 dated 01 July 2015 and amendments thereto, the following business segments have been disclosed:

Particulars	For the year ended 31 March 2020				Total
	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	
Gross revenue	4.81	-	118.34	567.11	690.26
Unallocated revenue	-	-	-	-	1.13
Less: Intersegment revenue	-	-	-	-	-
<b>Total Revenue</b>	-	-	-	-	<b>691.39</b>
Segment results	-	-	-	-	94.19
Unallocated expenses	-	-	-	-	127.35
Operating profit	-	-	-	-	(32.04)
Income tax (including deferred tax)	-	-	-	-	-
<b>Net profit/(loss)</b>	-	-	-	-	<b>(32.04)</b>
<b>As at 31 March 2020</b>					
Segment assets	248.50	-	21.52	275.66	545.68
Unallocated assets	-	-	-	-	78.32
<b>Total assets</b>	-	-	-	-	<b>624.00</b>
<b>As at 31 March 2020</b>					
Segment liabilities	-	-	125.37	289.61	414.98
Unallocated liabilities	-	-	-	-	78.95
<b>Total liabilities</b>	-	-	-	-	<b>493.93</b>

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(Rs. in crore)

Particulars	2018-19				Total
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	
Gross revenue	4.70	-	61.58	303.21	369.49
Unallocated revenue	-	-	-	-	1.63
Less: Intersegment revenue	-	-	-	-	-
<b>Total Revenue</b>	-	-	-	-	<b>371.12</b>
Segment results	4.21	-	21.06	58.50	83.77
Unallocated expenses	-	-	-	-	(146.15)
Operating profit	-	-	-	-	(62.38)
Income tax (including deferred tax)	-	-	-	-	-
Net profit/(loss)	-	-	-	-	(62.38)
Segment assets	213.88	-	33.04	363.70	610.62
Unallocated assets	-	-	-	-	73.45
<b>Total assets</b>	-	-	-	-	<b>684.07</b>
Segment liabilities	-	-	57.34	377.86	435.20
Unallocated liabilities	-	-	-	-	86.76
<b>Total liabilities</b>	-	-	-	-	<b>521.96</b>

Notes:

1. Other Banking Operations includes Business Correspondent services including insurance brokerage and service fees and commission, remittances.
2. Pursuant to the segment reporting requirement of the RBI previous year numbers are reported under the best allocable segment i.e Other Banking Operations.
3. Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.

*Geographic segment:*

The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has not reported any geographic segments.

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## 12. Related Party Transactions (Continued)

		(Rs. in crore)											
Items / Related Party		Parent		Fellow Subsidiaries		Associates / Joint ventures / Subsidiaries		Key Management Personnel		Relatives of Key Management Personnel		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Leasing/HP arrangements provided		-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed assets			4.24	-	-	-	-	-	-	-	-	4.24	-
Sale of fixed assets		-	-	-	-	-	-	-	-	-	-	-	-
Interest paid		-	-	-	-	-	-	-	-	-	-	-	-
Interest received		-	-	-	-	-	-	-	-	-	-	-	-
Rendering of services	of	2.47	-	0.76	-	-	-	-	-	-	-	3.23	-
Receiving of services	of	-	-	-	-	-	-	-	-	-	-	-	-
Management contracts		-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses		2.62	5.05	5.58	7.92	-	-	-	-	-	-	8.20	12.97
Remuneration		-	-	-	-	-	-	1.45	1.26	-	-	1.45	1.26
Balances payable		-	-	0.18	0.05	-	-	-	-	-	-	0.18	0.05
Balance receivable		1.64	0.36	-	-	-	-	-	-	-	-	1.64	0.36

## 13. Deferred tax (AS-22)

Particulars	(Rs. in crore)	
	2019-20	2018-19
<b>Deferred tax assets :</b>		
Depreciation on fixed assets	1.86	0.39
Unabsorbed depreciation on fixed assets	13.61	8.93
Business loss	64.64	61.12
Employee benefits	2.29	2.04
Provision for doubtful debts	6.56	6.29
<b>Total</b>	<b>88.96</b>	<b>78.77</b>

Net deferred tax assets have not been recognized in respect of the aforesaid items, because it is not probable that future taxable profit will be available against which the Bank can use the benefits there from.

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**14. Provisions and contingencies**

Break up of 'Provisions and contingencies' shown under the head expenditure in Statement of Profit and Loss.

<i>(Rs. in crore)</i>		
Particulars	2019-20	2018-19
i) Provision made towards NPAs/write off/sacrifice for Restructured Advance/Debt relief as per RBI guidelines	-	-
a) For Advances	-	-
b) For Investments	-	-
c) For Leased Assets	-	-
ii) Provision towards Standard Advances	-	-
iii) Provision for depreciation on investments	-	-
iv) Provision / (Write back) for Credit card reward points	-	-
v) Provision for others	1.03	0.93
vi) Provision towards Income tax	-	-
vii) Provision towards deferred tax (net)	-	-

**15. Drawdown from reserves**

The Bank has not undertaken any drawdown from reserves during the year ended 31 March 2020.

**16. Disclosure of complaints / unimplemented awards of Banking Ombudsman for the year ended 31 March 2020**

A. Customer complaints	2019-20	2018-19
(a) No. of complaints pending at the beginning of the year	254	281
(b) No. of complaints received during the year	15,703	9,421
(c) No. of complaints redressed during the year	15,477	9,448
(d) No. of complaints pending at the end of the year	480	254

B. Awards passed by the Banking Ombudsman	2019-20	2018-19
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the Banking Ombudsman during the year	-	-
(c) No. of awards implemented during the year	-	-
(d) No. of unimplemented awards at the end of the year	-	-
Advisory Issued : 5		

**17. Letter of comfort**

Bank has not issued any letters of comfort during the year ending 31 March 2020 and 31 March 2019.

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**18. Provisioning coverage ratio**

As per Operating Guidelines, PBs are not permitted to lend to any person including their directors. Accordingly, the disclosure requirements with respect to Provisioning coverage ratio are not applicable.

**19. Insurance business**

The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business.

Particulars	(Rs. in crore)	
	2019-20	2018-19
i) Fee/ brokerage from Life insurance business	0.04	0.12
ii) Fee/ brokerage from General insurance business	0.91	2.07

**20. Concentration of deposits, advances, exposures and NPAs**

**20.1 Concentration of deposits:**

Particulars	(Rs. in crore)	
	2019-20	2018-19
Total deposits of twenty largest depositors	0.20	0.20
Percentage of Deposits of twenty largest depositors to Total deposits	0.17%	0.42%

**20.2 Concentration of Advances:**

Particulars	2019-20		2018-19	
Total advances of twenty largest borrowers	0.10		0.08	
Percentage of borrowers of twenty largest borrowers to Total advances	94%		97%	

**20.3 Concentration of Exposures:**

As per Operating Guidelines, PBs are not permitted to lend to any person including their directors. As at 31 March 2020, the Bank does not have any exposure and accordingly, the disclosure requirements with respect to Concentration of Exposures is not applicable.

**20.4 Concentration of NPA's:**

As per Operating Guidelines, PBs are not permitted to lend to any person including their directors. As at 31 March 2020, the Bank does not have any NPA's and accordingly, the disclosure requirements with respect to Concentration of NPA's is not applicable.

**21. Sector wise Advances:**

As per the Operating guidelines PBs are not permitted to lend to any person including their directors. As at 31 March 2020, the Bank has not provided any advances, accordingly the disclosure requirements with respect to sector wise Advances is not applicable.

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**22. Movement of NPA's:**

As per the Operating guidelines PBs are not permitted to lend to any person including their directors. As at 31 March 2020, the Bank does not have any NPA's and accordingly, the disclosure requirements with respect to Movement of NPA's is not applicable.

**23. Overseas Assets, NPAs and Revenue:**

The Bank does not hold any overseas assets / NPA as at 31 March 2020 and no overseas operations were undertaken during the year ended 31 March 2020. Accordingly, the disclosure requirements with respect to Overseas Assets, NPAs and Revenue are not applicable.

**24. Off Balance Sheet SPVs Sponsored:**

There are no off balance sheet SPVs sponsored by the Bank, which needs to consolidated as per accounting norms. Accordingly, the disclosure requirements with respect to Off Balance Sheet SPVs Sponsored are not applicable.

**25. Disclosure on Remuneration**

**Qualitative Disclosure**

**A) Information relating to the composition and mandate of the Nomination & Remuneration Committee**

Members of Nomination & Remuneration committee are:

1. Mr. Suresh Kumar Jain, Chairman of the Committee and Independent Director
2. Mr. Mahendra Kumar Chouhan, Member and Independent Director
3. Dr. Punita Kumar Sinha, Member and Independent Director
4. Dr. Ganesh Natarajan, Member and Independent Director
5. Prof. N Venkiteswaran, Member and Independent Director resigned w.e.f 13/03/2020
6. Mr. P. S.Ravi, Member and Nominee Director

**B) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy**

The Compensation Structure at the Bank's is divided into two parts Fixed and Variable.

The compensation is broadly been divided in components like Basic Salary, HRA, Provident Fund, Leave Travel Allowance, Special Allowance and Earning Potential (Variable Pay).

Depending on grade title/role/performance one or more components may be included or excluded from the salary structure.

**Variable Pay:** The Variable pay varies depending on employee's performance and is subject to change as per the Bank's performance and policies.

For variable payout the performance evaluation is determined through KPIs based approach. KPIs cascades from the organization's / department's goals. These are

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defined at the beginning of the financial year. (The weightages against these parameters will vary according to Department and the Band of the employee):

Employees eligible under sales incentives plans are excluded from earning potential process.

**Statutory Bonus:** Some Section of Employees are also paid statutory bonus as per the Payment of Bonus Act (1965) as amended from time to time.

**C) Description of the ways in which current and future risks are taken into account in the remuneration processes.**

The Bank takes into account various types of risks in its remuneration processes. Along with keeping in mind the key parameters like Fixed and Variable pay the focus is also on ensuring a high performance culture, role clarity, meritocracy, clarity on performance expectation and a robust mechanism are necessary ingredients in building a productive and motivated team that is aligned to organizations vision

While considering the fixed pay for revision, the Bank conducts salary review process wherein revisions in compensation are based on performance and internal pay parity study up to an extent is taken in consideration to ensure that employees are competitively positioned in terms of fixed pay.

Cascading of goals from the Organizational level to individual levels, periodic monitoring of performance, frequent rewards, performance improvement plans, key talent programmes etc. ensure that the risk due to attrition is mitigated as much as possible.

**D) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration**

The Bank follow a Philosophy of Pay for Performance and Promote for Potential'. Evaluation process for each Band is followed while performance measurement.

The performance evaluation is determined through KPIs based approach. KPIs cascades from the organization's / department's goals. These are defined at the beginning of the financial year. These KPIs are a combination of following broad parameters (The weightages against these parameters will vary according to Department and the Band of the employee):

- a) Financial b) Process c) Customer d) Capability

Earning potential will be paid basis the individual and Bank performance (performance bonus will vary band wise and on the performance of the Bank & the individual performance against set KPI)

**E) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

The Bank does not have a policy of deferral of variable remuneration.

**F) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms**

Employees of the Bank may be entitled to stock purchase / stock options scheme offered by the Holding Company.

*[Handwritten mark]*



**Quantitative Disclosure:**

(The quantitative disclosure covers Whole Time Directors, Chief Executive Officer and Other Risk Takers)

(Rs. in crore)

S. No	Particulars	2019-20	2018-19
1 (i)	Number of meetings held by the Nomination & Remuneration Committee during the financial period	4	4
1 (ii)	Remuneration paid to its members during the financial period (Rs. in crore)	0.14	0.13
2 (i)	Number of employees having received a variable remuneration award during the financial period.	Nil	Nil
2 (ii)	Number and total amount of sign-on awards made during the financial period	Nil	Nil
2 (iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus(Rs in crore)	Nil	Nil
2 (iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
3 (i)	Total amount of outstanding deferred remuneration, split into cash, shares and sharelinked instruments and other forms.	Nil	Nil
3 (ii)	Total amount of deferred remuneration paid out in the period.	Nil	Nil
4	Breakdown of amount of remuneration awards for the financial year:		
	Fixed	1.45	1.26
	Variable	-	-
	Deferred	-	-
	Non-deferred	-	-
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
5(ii)	Total amount of reductions during the period due to ex- post explicit adjustments.	Nil	Nil
5(iii)	Total amount of reductions during the period due to ex- post implicit adjustments	Nil	Nil

**26. Disclosures relating to securitization**

As per the Operating guidelines PBs are not permitted to lend to any person including their directors and hence there are no loans with the Bank which can be securitized. Accordingly, the disclosure requirements with respect to securitization are not applicable.

**27. Credit default swaps**

As on 31 March 2020, there is no credit default swap.

**28. Intra-group exposures**

The guidelines on Management of Intra-group transactions and exposures dated 11 Feb 2014 are applicable to all scheduled commercial bank including foreign banks only. Accordingly, the Intra-group exposure disclosure requirement is not applicable to Payments Bank.

**29. Transfers to Depositor Education and Awareness Fund (DEAF)**

During the year end 31 March 2020, no amount has been transferred to Depositor Education and Awareness Fund.

**30. Unhedged Foreign currency Exposure**

The Bank does not have any foreign currency exposure as at 31 March 2020.

**31. Details of provisioning pertaining to fraud accounts**

During the year ended 31 March 2020, the Bank has reported 72 (Previous Year 29) cases of fraud amounting to Rs 1.83 Crore (Previous Year Rs 0.93 crore), against which the Bank has made a provision of Rs 0.53 crore (Previous Year Rs 0.46 crore), adjusted for recovery.

Particulars	(Rs. in crore)	
	2019-20	2018-19
Number of frauds reported	72	29
Amount involved in frauds	1.83	0.93
Provision made	0.53	0.46
Unamortized provision debited from 'other reserves'	-	-

**32. Corporate Social Responsibility (CSR)**

The Bank had incurred losses in previous year and current year accordingly the provisions of Section 135 of the Act are not applicable to Bank.

**33. Factoring Business:**

The Operating Guidelines defines the scope of activities for PBs. Factoring Business is not within the defined scope of the Operating Guidelines issued by RBI. The Bank has not engaged in Factoring Business.

**34. Contingent Liabilities**

Description of nature of contingent liabilities is set out below:

**i) Claims against the Bank not acknowledged as debts:**

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress.

**ii) Liability for partly paid investments:**

The Bank has made investment in Treasury Bills for maintaining the SLR requirement. Such Treasury Bills are fully paid and therefore the Bank does not have any liability for partly paid investments

**iii) Guarantees given on behalf of Constituents, Acceptances, Endorsement and other obligations:**

The Bank does not have any liability by way of Guarantees given on behalf of Constituents, Acceptances, Endorsement and other obligations.

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**34. Contingent Liabilities (Continued)**

**iv) Other Contingent items :**

- a) As a result of assessment proceedings under income tax act, there is an addition to taxable income on account of agent security deposit. Total demand raised by the department is Rs. 0.66 crore and the Bank has paid Rs. 0.14 crore under protest. The Bank has assumed contingent liability for the aforesaid litigations.
- b) There are numerous interpretative issues relating to the Supreme Court (SC) judgment dated 28th February, 2019, relating to components/allowances paid that need to be taken into account while computing an employer's contribution of provident fund under the EPF Act. The Bank is in the process of evaluating the method of computation of its PF contribution prospectively and would record any further effect in its financial statements, on receiving additional clarity on the subject.

**35. Fixed Assets:**

The following table sets forth, for the periods indicated, the movement in software acquired by the Bank, as included in fixed assets:

<i>(Rs. in crore)</i>		
Particulars	2019-20	2018-19
At cost at the beginning of the year 01 April	27.07	21.71
Additions during the year	1.98	5.36
Deductions during the year	-	-
Accumulated depreciation up to 31 March	14.91	8.93
Net block as at 31 March	14.14	18.14

**36. Micro and Small Industries:**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 02 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

**37. Deposits :**

As per the Operating Guidelines of PBs, can accept only savings and current deposits. The aggregate limit per customer shall not exceed Rs. 100,000. PBs are permitted for making arrangements with any other Scheduled Commercial Bank / SFB (Small Finance Bank), for amounts in excess of the prescribed limits, to be swept into an account opened for the customer at that bank, with the prior written consent of the customer.

The above limit shall apply to customer deposits and not to any security / earnest money deposit the bank may collect from any of its service providers in the ordinary course of business.

During the year, the Bank has made sweep out arrangements with Suryodaya Bank in order to ensure adherence to RBI guidelines.

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### 38. Operational lease

The Bank has taken certain premises on operating lease. The agreements entered into provide for renewal and rent escalation. Particulars of future minimum lease payments in respect of the same are as mentioned below:

<i>(Rs. in crore)</i>		
Particulars	2019-20	2018-19
Not later than one year	10.92	11.31
Later than one year and not later than five years	26.32	18.60
Later than five years	10.40	0.11
<b>Total</b>	<b>47.64</b>	<b>30.02</b>
Lease payment recognized in Statement of Profit and Loss for the year	13.90	13.34

### 39. Earnings per Share (EPS)

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 - Earnings per Share.

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

<i>(Rs. in crore)</i>		
Particulars	2019-20	2018-19
<b>Basic and diluted earnings per share</b>		
Weighted average number of equity shares	44,579,997	44,579,997
Net profit after tax available for equity shareholders (Rs. in Crore)	(32.04)	(62.38)
Basic earnings per share (F.V. Rs. 10 each)	(7.19)	(13.99)
<b>Diluted</b>		
Weighted average number of equity shares (including dilutive potential equity shares)	44,579,997	44,579,997
Net Profit after tax available for equity shareholders (Rs. in Crore)	(32.04)	(62.38)
Diluted Earnings Per share (F.V. Rs. 10 each)	(7.19)	(13.99)

### 40. Liquidity Coverage Ratio (LCR)

The provisions of Liquidity Coverage Ratio (LCR), as per the circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards dated June 9, 2014 and as amended from time to time, are not applicable to the Payments Banks and hence no disclosures have been provided.

### 41. Direct Tax Matters

Bank has few Direct Tax litigations of earlier year's wherein probability of getting favorable judgments are high. In worse scenario since the Bank has reported losses in respect of those years under litigations there is remote possibility of probable cash out flow & hence not shown under contingent liability

### 42. COVID-19

In assessing the recoverability of receivables including trade receivables and investments, the bank has considered internal and external information up to the date of approval of these financial statements including credit reports and economic forecasts and based on

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**42. COVID-19 ((Continued))**

current indicators of future economic conditions, the bank expects to recover the carrying amount of these assets. As far as product lines are concerned including M-ATM, AePS & BC Banking which witnessed muted business initially, saw a revival with surge in banking transactions for utilization of the subsistence allowance credited into customer's account by government. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain and the Bank will continue to closely monitor any material changes to future economic conditions.

**43. RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020** (wherein the banks would be granting a moratorium of three months on the payment of all instalments and / or interest , as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as standard , even if overdue, as on February 29, 2020) are not applicable to the Bank since Payment Banks are not allowed to grant loans and advances.

**44. Comparative figures**

Figures of the previous year have been re-grouped to conform to the current year's presentation.

As per our report of even date attached


For **MSKC & Associates**  
(Formerly known as R.K.Kumar & Co)  
Chartered Accountants  
ICAI Firm's Registration No: 001595S




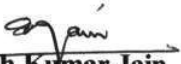
**Tushar Kurani**  
Partner  
Membership No: 118580

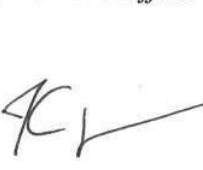
For and on behalf of the Board of Directors

**Fino Payments Bank Limited**  
(formerly known as Fino Fintech Limited)

  
**M K Chouhan**  
Independent Director

  
**Rishi Gupta**  
Managing Director &  
Chief Executive Officer

  
**Suresh Kumar Jain**  
Independent Director

  
**Ketan Merchant**  
Chief Financial Officer

  
**Basavraj Loni**  
Company Secretary &  
AVP - Legal

Place : Mumbai  
Date : 15 May 2020

Place : Navi Mumbai  
Date : 15 May 2020

