

# Fincare Small Finance Bank

Building a leader in inclusive finance for India

Holding period:  
2017-Present

SDG Goals:  
1, 5, 8, 9, 10

Impact Thesis:  
Provide financial services  
for previously unbanked women  
customers in rural India

## 3.3x

Fund II MOIC (INR)

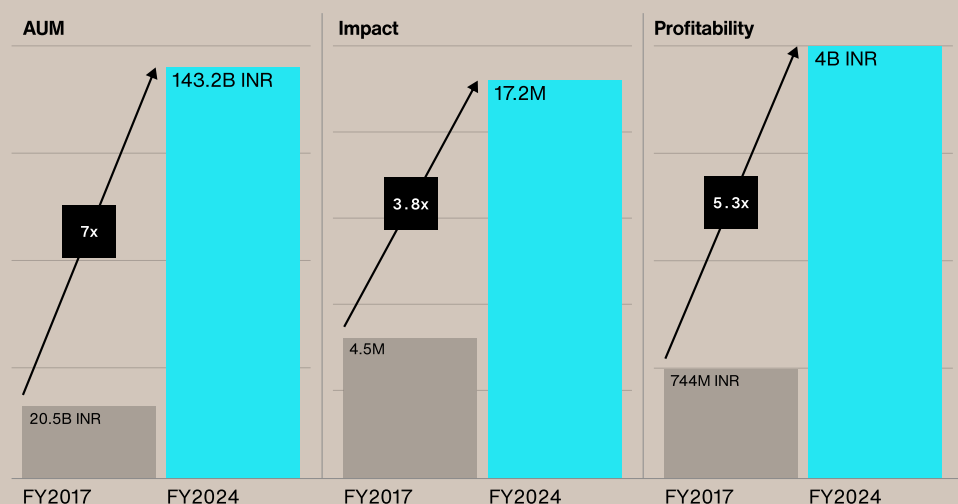
## 17M

Emerging Consumers Reached<sup>1</sup>

## \$1.2B

Loans Disbursed

Fincare is an inclusive lender providing loans and banking services to previously unbanked women in rural India. LeapFrog has supported Fincare in its evolution from a microfinance institution into a high-growth, technology-enabled inclusive bank with broad product offerings. Over the investment period, AUM, impact, and profitability have increased by 7x, 3.8x, and 5.3x, respectively. In April 2024, Fincare merged with AU Small Finance bank to create India's largest inclusive bank, with a \$6.3 billion market capitalisation. LeapFrog's Fund II has now fully exited its investment in Fincare while Fund III continues to hold our investment in the asset.



Assets Under Management, Emerging Consumers Reached, and Net Profit after Tax of Fincare Small Finance Bank from initial investment to pre-merger with AU SFB (March 2024).

# Investment and Impact Thesis

LeapFrog invested in Fincare in 2017, its first banking investment in India. Fincare was a bank with both credit and deposit taking functions, one of only ten to be granted a small bank licence by the Indian Government. At the time, India had about 190 million adults without access to formal financial services, making financial inclusion a critical objective.<sup>2</sup>

Fincare's commitment to financial inclusion aligned with LeapFrog's impact-driven investment philosophy. The bank's mandate required at least 50% of its loan portfolio to be

loans and advances under INR 2,500,000 (~\$30,000), ensuring a focus on inclusive lending. A typical Fincare customer is a rural woman seeking joint-liability group (microfinance) loans to support her micro-enterprise, generate income and increase her household's quality of life.

SDG Goals:



## LeapFrog's Additionality

Taking a profit with purpose approach, LeapFrog has supported Fincare's commercial growth and valuation while contributing to Fincare's increased capacity to deliver affordable, quality, and relevant financial services to more underserved women while generating returns.

Key value creation initiatives include:

### **Leading and Designing Structured Rounds**

LeapFrog's first investment in the company in 2017 was during India's demonetisation, followed by a round during the COVID-19 pandemic. In both these cases, the investment was structured with robust downside protection in a way that delivered growth capital to the company while meeting the needs and requirements of LeapFrog managed funds.

### **Bank Transformation**

Post-investment, Fincare undertook a major transformation to expand its product suite from solely microfinance to be a full-service inclusive bank. LeapFrog provided guidance for wide-ranging transformation, across digital technology, compliance and talent. The result saw Fincare add offerings such as loans against gold and credit for microenterprise or affordable housing. Fincare also built its savings accounts and fixed deposits segments, and started offering insurance.

### **Digital Strategy**

LeapFrog supported management to implement digital strategies that have enhanced customer experience, cost efficiencies, and customer stickiness. Innovations include

mCare, an instant approval product powered by electronic KYC and algorithm-based credit underwriting and mServe, a collections app to improve customer experience. LeapFrog helped Fincare to develop and launch its digital savings account Fincare 101.

### **Measuring Social Impact**

LeapFrog funded and led Fincare's inclusion in 60 Decibel's inaugural Microfinance Index, the world's first financial inclusion social performance report focused on the customer perspective. This enabled Fincare to understand and benchmark its social performance indicators with regional and global microfinance peers.

### **Compliance and Governance**

As one of the first global institutional investors in Fincare, LeapFrog helped strengthen Fincare's governance practices. This included Fincare's successful technology-led compliance upgrade required by the RBI, which helped the company secure regulatory approvals during LeapFrog's exit. The team also collaborated with the bank to assess Scope 1, 2, and 3 (Selected) GHG emissions, enhancing their environmental reputation.

LeapFrog has strong experience in structuring equity deals and adding value for lending, insurance, and payments companies in India and globally. The transformation of Fincare is a clear example of LeapFrog's approach and capabilities.

<sup>1</sup> Emerging consumers are defined as those earning less than \$10 a day (2011 PPP\$)

Reach is an estimated scaled-up number and is calculated as the total number of customers multiplied by a product-based, household multiplier.

<sup>2</sup> The Global Findex Database, 2017.

# Performance

<b>Performance against Investment Thesis</b>	<p>Fincare's AUM has grown by 7x – from INR 20.5 billion to INR 143.2 billion (\$94 million - \$1.6 billion). The company's average ROE since initial investment was 13%, despite stress from India's demonetisation and the COVID-19 pandemic and was 21% at the time of the merger. Fincare is now among the top two small finance banks in India in terms of digital capabilities covering the customer journey as well as internal processes.</p>
<b>Performance against Impact Thesis</b>	<p><b>Increased Access:</b> Emerging consumers reached by Fincare's services has grown 3.8x from 4.5 million to 17.2 million. The number of banking outlets, a key financial inclusion access indicator, has grown from &lt;300 to 1,292 outlets across 23 states and union territories in India.</p> <p><b>Deepening Financial Inclusion:</b> In FY23, more than 40% of Fincare's credit customers were new to credit, helped by the bank's digital KYC and inclusive lending products. 100% of microfinance borrowers are women.</p> <p><b>Enabling Savings for Underserved:</b> Microloan savings account customers grew to 2.72 million in 2023, from 0 in 2017. Recurring deposit accounts of microloan customers also grew significantly, rising from 169,040 accounts in 2021 to more than 1 million accounts in 2023.</p> <p><b>Enabling MSMEs and Job Creation:</b> Fincare's full-time employees grew 2.6x to 14,800+ since investment. Loans to micro-entrepreneurs grew from less than 10,000 to more than 30,000 customers.</p>

## Profit with Purpose Highlights

- Strategic efforts to reach more emerging consumers and their households (3.8x over holding period) has had an outsized impact on AUM growth (7x).
- Launching and growing Fincare's deposit segment enabled its previously underserved customers to access savings, while also increasing the resiliency of Fincare's business model - their loan book is now funded 100% by deposits.
- Expanding Fincare's product offerings to include gold loans (which account for 36% of all loans taken by women in India), affordable housing loans and micro enterprise loans contributed to de-risking its loan book while increasing financial inclusion.<sup>3</sup>

“Our customers stand to gain from the merger [with AU Bank], with an expanded presence and a full suite of products that cater to their specific requirements. This merger is a defining milestone in our journey towards building a world-class bank with a robust balance sheet and a truly national franchise.”

Rajeev Yadav, CEO, Fincare Small Finance Bank

<sup>3</sup> TransUnion CIBIL et al, From Borrowers to Builders, March 2025.

# Responsible Exit

In April 2024, Fincare merged with AU Small Finance Bank (AU), making it India's largest inclusive bank, with a \$6.3 billion market capitalisation and more than eleven million customers. This is a landmark transaction in the Indian inclusive financial services space and the biggest microfinance or Small Finance Bank (SFB) deal in the last five years.

LeapFrog assessed the transaction in accordance with our Responsible Exit Framework, in line with impact investing best practices (Principle 7 – Impact Principles) and is playing a role to ensure successful culture and people integration post-merger.



LeapFrog partners Fernanda Lima and Pranav Kumar alongside Fincare management.

Internal Exit Considerations	<b>Achievement of Financial Targets<sup>4</sup></b>	<ul style="list-style-type: none"> <li>■ AUM growth of 7x to INR 143 billion (\$1.6 billion) since initial investment in FY17</li> <li>■ ROE was tracking at 21% at the time of the merger announcement</li> <li>■ Merging entity has similar strong performance</li> </ul>
	<b>Achievement of Social Targets<sup>4</sup></b>	<ul style="list-style-type: none"> <li>■ Emerging consumers reached by Fincare's services grew 3.8x, from 4.5 million to 17.2 million.</li> <li>■ Direct jobs supported grew 2x to 14,804 during investment period</li> <li>■ Updates to ESG policy and framework ensure the company aligns with global ESG best practices, including measuring its GHG emissions - the first in the Indian banking sector to do so</li> </ul>
Evaluation of External Acquirer/Proposal	<b>Serving Emerging Consumers</b>	<ul style="list-style-type: none"> <li>■ AU Small Finance Bank is India's largest SFB and is well regarded by investors, operators as well as the regulators</li> <li>■ AU is highly focused on serving underserved emerging consumer borrowers and driving financial inclusion</li> <li>■ The combined entity is the largest inclusive financial institution in India with over 11.3 million customers</li> </ul>
	<b>Respect of Employee Rights</b>	<ul style="list-style-type: none"> <li>■ All Fincare employees to be employed by the merged entity</li> <li>■ Post merger HR implementation handled by AON</li> <li>■ Fincare CEO appointed as deputy CEO post-merger</li> </ul>
	<b>Provides LeapFrog Desired Return</b>	<ul style="list-style-type: none"> <li>■ Fund II fully exited its investment in 2025, selling its shareholding in merged entity AU SFB. This represents a 3.3x MOIC (INR).</li> <li>■ Fund III maintains a liquid stake in merged entity AU SFB to take advantage of a longer exit runway</li> </ul>

<sup>4</sup> All figures cited are as of pre-merger date (Mar '24) unless stated otherwise