

AAV Sarl

Fusion, India

Indicative Term Sheet

Terms applicable to Non-Convertible Debentures ("NCD")

13 April 2018

This Indicative Term Sheet is a summary of the principal terms and conditions in relation to non-convertible debentures. The Issuer of the NCD is asked to appoint an Indian law firm to obtain legal advice in relation to the NCD transaction documents.

This document does not constitute a legally binding agreement or offer under any applicable law.

1. Issuer	Fusion Microfinance Ltd ("Fusion"), India
2. Purchaser of NCD	AAV Sarl (Luxembourg), through its Indian custodian Deutsche Bank AG, Mumbai branch, in accordance with Foreign Portfolio Investment (FPI) regulations.
3. Servicer	Symbiotics SA
4. Principal amount	INR equivalent amount up to USD 10,000,000. <i>The INR amount will be confirmed approximately on 10 business days prior to Issue Date.</i>
5. Maturity Date	36 months after Issue Date
6. Issue Date (Deemed Date of Allotment)	Third quarter of 2018 (date to be confirmed)
7. Issue Price	100.0%
8. Coupon	12.20% p.a., fixed. Day Count Fraction: ACT/ACT The Coupon is gross of Indian withholding tax of 5% (and applicable surcharge thereon). If the Indian withholding tax is modified and increased above 5% (the "WHT Increase"), the Issuer shall – starting on the date when such WHT Increase becomes effective, and for as long as such WHT Increase remains effective –



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	<p>pay an additional amount corresponding to 50% of the shortfall, which the debenture holder would have incurred as a consequence of the WHT Increase had the Issuer not paid such additional amount.</p> <p>If the Indian withholding tax is modified and decreased below 5% (the "WHT Decrease"), the Issuer shall – starting on the date when such WHT Decrease becomes effective, and for as long as such WHT Decrease remains effective – deduct an amount corresponding to 50% of the excess amount, which the debenture holder would have received as a consequence of the WHT Decrease.</p>
9. Coupon Payment Dates	<p>Semi-annually, on 13 June and 13 December in each year, and on Maturity Date.</p> <p>In relation to each Coupon Payment Date and in relation to each date when any other payment is due by the Issuer under the NCD (each, a "Relevant Payment Date"), the Issuer undertakes to:</p> <ul style="list-style-type: none"> - Send, by e-mail, to the Purchaser or its designated agent, a scan of the duly completed and signed Form 15 CA/CB on the Relevant Payment Date; and - Courier to the Purchaser (or its designated agent), within 3 Business Day after a Relevant Payment Date the original of the duly completed and signed Form 15 CA/CB.
10. Principal Redemption	Bullet, on Maturity Date.
11. Use of Proceeds	On lending to microfinance clients.
12. Up-Front Fee	<p>An up-front fee equal to 1.0% of the Principal Amount will be payable by the Issuer of the NCD to the Purchaser of the NCD on or about the Issue Date. Up-front fee is subject to gross-up for withholding tax. This fee will be invoiced as due diligence fee for the tenure of the NCD payable up-front.</p> <p>All costs relating to the issuance of the NCD (legal advice, financial advice, rating etc.) will have to be met by the Issuer of the NCD.</p> <p>[Note: this will not be a term of the NCD]</p>
13. Listing	Not Applicable
14. Ranking	Obligations by the Issuer under the NCD shall rank pari passu with all other senior obligations of the Issuer.



<p>15. Security</p>	<p>The obligations of the Issuer under the NCD will be secured by a hypothecation of loans (and/or other assets) in the form of a fixed charge, whereas the cumulative amount of all assets subject to the hypothecation shall be, at any time, not less than [100%] of the outstanding amounts under the NCD.</p> <p>Eligibility criteria in relation to assets that form part of the hypothecation, at time of inclusion, are:</p> <ul style="list-style-type: none"> - Must be a loan receivable, cash deposit, or money market funds - In case of a loan, no arrears of greater than 30 days must have occurred in relation to such loan - Maximum notional amount of loan of not more than 1% of total on-balance outstanding portfolio. <p>The Issuer shall create the security on Deemed Date of Allotment. The Issuer shall perfect the security by making the required filings no later than 30 calendar days after Deemed Date of Allotment.</p> <p>The Issuer shall report, on a monthly basis, of the specific assets which are subject to the hypothecation.</p>
<p>16. Early Redemption</p>	<p>Early redemption is possible subject to (a) applicable law; and (b) the prior written approval of the Purchaser of the NCD; (c) must occur on any Coupon Payment Date, but not on any other date, and (d) is subject to a prepayment penalty of 2% of outstanding principal amount.</p> <p>The prepaid principal amount must be of not less than INR 60,000,000.</p>
<p>17. Conditions precedent to NCD purchase</p>	<ul style="list-style-type: none"> - No event or potential event of default - Compliance with all representations and warranties - All governmental and third party approvals or consents - Satisfactory due diligence and internal credit scoring by the Servicer - Successful refinancing by the Purchaser of NCD - Execution of all relevant transaction documents - Satisfactory independent legal opinion regarding enforceability and capacity of Issuer of NCD - All financial documentation and reporting as reasonably requested by the Servicer - A rating shall have been assigned to the NCD of not less than [BBB-] by [ICRA] - Purchaser of NCD having obtained the "investment limits" required for the transaction



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<p>18. Events of Default</p>	<p>Upon an event of default, the NCD can (at the discretion of the Purchaser of the NCD) be declared immediately repayable.</p> <p>The Events of Default include:</p> <ul style="list-style-type: none"> - Failure to Pay - Breach of Covenant - Misrepresentation - Breach of Agreement - Cross-Default - Material Adverse Change - Liquidation / Bankruptcy - Creditor's Process / Court judgment - Unlawfulness - Repudiation
<p>19. Financial covenants</p>	<p>The Issuer will at all times maintain:</p> <ul style="list-style-type: none"> - Ratio of outstanding amount of this NCD to total assets of not more than [10%]; - Capital Adequacy ratio of not less than [15%] - Ratio of total debt to total equity of not higher than [7.0] (whereas "total equity" shall include subordinated debt to the extent that such can be accounted for as Tier II capital in accordance with applicable regulations) - Uncovered Capital Ratio below [15%] (defined as the PAR>90days + restructured portfolio minus loan loss provisions divided by Equity). - Less than [5%] of its liabilities and assets in non INR denominated currency - Ratio of outstanding off-balance sheet portfolio (including asset securitization) to total assets less than [40%]
<p>20. Negative covenants</p>	<p>The Issuer will not, without prior written consent of the Purchaser</p> <ul style="list-style-type: none"> - Change its business such that it no longer remains an NBFC; - Undertake any merger, consolidation or reorganization; - Allow for a change of control event in relation to its shareholders (change of control event defined as an event whereby existing shareholders are diluted below 67% of voting rights); and - Enter into a single transaction or a series of transactions (whether related or not) to sell, lease, transfer or otherwise dispose of all or substantially all of its assets, other than asset securitizations.
<p>21. Representations</p>	<p>Standard representations for NCD will apply.</p>
<p>22. Reporting covenants</p>	<p>The Issuer shall provide:</p>



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	<p>1. Reporting documentation and due diligence requirements prior to closing and on annual basis as required by the Servicer, including</p> <p>a. Legal and operational documents/information</p> <ul style="list-style-type: none">- Constitutional documents (Articles of Association or bylaws)- Functioning documents (registration, license, etc.)- Shareholding structure- List of board of directors- List of management team including CVs and organizational chart- Any other legal or operational document or information as Symbiotics Research & Advisory may reasonably request. <p>b. Financial documents/information</p> <ul style="list-style-type: none">- Audited accounts of the last 4 years- Latest business plan and financial projections- Detailed list of sources of funding- Third party rating or external evaluation, if existing- Financial position reports on the last three years to be posted on the Symbiotics online reporting platform at the address http://www.syminvest.com.- Monthly financial position reports for the last three month of the current year to be posted on Symbiotics online reporting platform at the address https://my.syminvest.com/login <p>2. Monthly reporting requirements</p> <p>Monthly reports to be posted on Symbiotics online reporting platform at the address https://my.syminvest.com/login no later than 20 days after the close of each month.</p>
23. Governing law	Indian law. Mumbai jurisdiction.

