



Your doorstep banker

A Scheduled Commercial Bank



**Empowering
Rural
Economy**

**Improving
Lives**

**ANNUAL
REPORT
2018-19**



9 States



179 Branches



Over 5.8 Lakhs
Customer



9 States & 179 Branches



Portfolio Outstanding
Rs. 1383.97 Cr.



Profit after Tax
Rs. 36.94 Cr.



5,88,408 Clients



On time recovery rate
98.05%



CAR 22.82%



Deposits 267.35 Cr.



Vision

To be the most trusted and accessible financial services institution of the North East; promoting financial inclusion and creating value for all its stakeholders.

OUR VISION & MISSION



Mission

Preferred banker for all financial needs by providing suitable products and services in a timely, convenient, and responsible manner, through doorstep banking and use of technology, thereby leading to sustainable growth of the community at large.



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AN ALMANAC

2017-18

- After obtaining banking license, immediately initiated centralized payment system.
- RBI approved onboarding of Mr. Gautam Barua, Mr Robert Douglas Dunn, Mr. Njord Andrews & Ms. Sutapa Banerjee as Directors of North East Small Finance Bank on 23rd June 2017.
- Bank launched on 17th October, 2017 with Ms. Rupali Kalita as the MD & CEO of the bank.
- With the setting up of two new branches at Porampat and Lamphelpat in Manipur, we are now operational across North East, except for Mizoram. Further we set up four more branches in the Barak Valley and two branches in the West Jaintia district of Meghalaya.
- We were a strong network with 155 branches which include 20 banks branches and 135 micro asset centres, uplifting and enhancing the lives of over 5.21 lakhs as on 31st March 2018.



2018 -19

- We were delighted and honoured to have amongst us, Padma Vibhushan Shri Ratan Tata; who inaugurated the bank and graced the occasion as Chief Guest. We also had in our midst, Honourable Finance Minister of Assam Dr. Himanta Biswa Sarma along with many more dignitaries and prominent personalities of Assam.
- Post our launch, we had our very first RBI audit as a bank. RBI also conducted its Annual Financial Inspection for North East Small Finance Bank from 28th June 2018. The inspection concluded on 12th July 2018.
- Full presence and strong foothold in North East with setting of two new branches in Aizawl and Kolashib at Mizoram.
- Within the first year of operation, we successfully managed to open 80 branches as required by the RBI. On 23rd July 2018, we applied for the Scheduled Bank status to RBI.
- Our liability books reflected considerable growth with deposits thriving to Rs.267.35 crores and portfolio outstanding of our asset business reflected 1389.72 crores as on 31st March 2019.
- Our client base stands at 5.88 lakhs spreading across all the states of North East, Sikkim and West Bengal.



FROM THE DESK OF THE MD & CEO

“ While we evolved from being RGVN-CSP to a Small Finance Bank, the organization has and will always focus on the economically weaker sections of North East India. This is just the beginning of a long journey ahead.”

– Ms. Rupali Kalita
MD & CEO
North East Small Finance Bank



Dear Shareholders,

It is an honour and I feel accomplished to lead the first private Bank of North East India; the bank which keeps on working for the financial inclusion of every individual of the society. Customer centricity and respecting the values of our customers and patrons has always been the preferred banking strategy for us at North East Small Finance Bank to cater to every need of our valued customers through door step banking.

It gives me immense pleasure in unveiling the Annual Report of North East Small Finance Bank. I am elated to state that the FY 2018-19 has been an extremely eventful year for the organization especially with the formal launch of North East Small Finance Bank on 17th June, 2018. Inaugurated and graced as the Chief Guest Padma Vibhushan Shri Ratan Tata was accompanied by the Honourable Finance Minister of Assam, Dr. Himanta Biswa Sarma and many other dignitaries and eminent personalities from all walks of life.

CLIENT GROWTH

At the close of the FY 2018-19, we have extended our footprints and reached over 9 states, which include 8 states from North East viz. Assam, Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Tripura, Sikkim & Mizoram and the North Bengal region under the state of West Bengal. With this, we are now operating in all the North Eastern States.

As against 155 branches in the previous year, we have expanded our operations to 179 branches in the FY 2018-19, which includes 90 SFB branches and 89 Asset Offices. We have also seen a growth of about 12.88% in our client base, which grew from 5.21 lakh in the previous financial year to 5.88 lakh in the FY 2018-19.

DEPOSIT GROWTH

In the FY 2018-19, bank's total deposits grew to Rs. 267 crores from the previous financial year's deposit of Rs. 125 crores with CASA book of 58 crores or 22% of the book is CASA. 32% of the TD book is Institutional and rest 46 % is from retail TD.

The net portfolio outstanding of NESFB as on 31st March 2019 stands at Rs. 1383.97 crore. The cumulative disbursement for the Financial Year 2018-19 stands at Rs. 1304.85 crore with PAR > 30 days of 1.46%.

The portfolio outstanding increased from Rs.1082.40 crore to Rs. 1383.97 crore with a growth rate of 27.86% for the FY 2018-19.

TECHNOLOGY

As a modern bank, North East Small Finance Bank leverages technology to deliver optimal solutions and reduce the transactions cost services for its customers. The Bank uses different systems and applications and the business is supported by a dedicated information & technology team which aligns with the business teams to continuously innovate its products and services.

The centralised infrastructure deployment is outsourced to a System Integrator for the bank. All the branches of our Bank are now running on a secured MPLS Network with Redundancy in place for minimal downtime.

Being the first small finance Bank from this region, I would like to take a moment to thank all our investors, employees and customers who have stood by us and instilled a lasting faith in us. We would like to thank our employees for their commitment to NESFB. It is their hard work, alignment behind our strategy and dedication that enables us to deliver on our promises.

We are well aware of the intensely competitive context in which we are operating today and are taking the necessary steps to further develop and strengthen the company. We are

investing in the capabilities we need, the know-how and the talent to continue to create value for our shareholders and board of directors.

We have worked determinedly to reach out to every corner of the North East and its surrounding region and have managed to elevate the lives of people especially in the rural areas where banking was unheard of. We have successfully elevated lives of people and will strive to do so. I am extremely grateful to all our customers who have bestowed their firm belief in us. This has accentuated us to give the best customer service and ease of banking by reaching to those places where banking was not a regular practice.

Our long-term commitment to operational excellence delivers savings that benefit both growth and margins not only for our customers but also for our share holders.

We also want to thank you, our shareholders and the board of directors for your continuing support, your confidence and above all for your trust. Rest assured that our passion for being the preferred banker for all financial needs and to be the most trusted accessible financial service institution for entire North East will continue to generate the sustainable, profitable returns you rightfully expect from us.

I am sure we all will strive together in the days to come to be always be a door-step banker.

Our DNA

Focus on

- Informal economy
- Unorganised sector
- Unbanked rural areas

Socially Responsible Bank

- Giving back to the society and aid to make a change in the people's life

Serving the unbanked and under banked

- Timely & affordable financial intermediation
- Ease of banking technology & doorstep delivery

Financial Inclusion

- Customised Retail asset for low to medium income groups, products like small entrepreneur loans and micro business loans etc.
- Convenient Deposit products like Daily deposit Schemes.
- 90000+BSBDA accounts

COMPOSITION OF THE BOARD OF DIRECTORS

Sl. No	Name	Designation
1	Mr. Deep Chandra Joshi	Independent Director
2	Ms. Rupali Kalita	Managing Director & CEO
3	Ms. Sutapa Banerjee	Independent Director
4	Mr. Bhaskar Jyoti Sarma	Part Time Chairman(PTC)
5	Mr. Ranjit Goswami	Independent Director
6	Mr. Gautam Barua	Independent Director
7	Mr. Manish Purshottam Thakkar	Nominee Director
8	Mr. Njord Andrewes	Nominee Director
9	Mr. Robert Douglas Dunn	Nominee Director

Mr. Deep Chandra Joshi

Independent Director



Mr. Joshi, a recipient of Magsaysay award in 2009 and Padma Shri in 2010 is an independent development consultant and part-time CEO of a Charitable Trust. He is the co-founder of PRADAN, a

renowned national NGO, where he worked as an Executive Director. He was also the Director HR and Director Finance for over two decades until his retirement in 2007. He had worked as a Program Officer in the Ford Foundation in Delhi; as a Senior Systems Analyst in Systems Research Institute in Pune; and as a Lecturer of Mechanical Engineering at MNNIT Allahabad. He took his engineering degree from MNNIT Allahabad and also holds Master Degree in Engineering from MIT and an MBA from Sloan School of Management MIT. Mr. Joshi earlier chaired the Boards of the Institute of Rural Management Anand, the National Foundation for India and the Rajiv Gandhi National Institute for Youth Development

and served on the boards of IIM Kashipur and several development NGOs.

Mr. Joshi has extensive experience of SHGs and was associated with the SHG-Bank Linkage Program in the course of his work in PRADAN. He is one of the Promoters of Bhartiya Samruddhi Investments and Consulting Services Limited (BASICS). He has served as a Director of Microfinance NBFCs and as Chairman of a Local Area Bank. Mr. Joshi has over 30 years' experience of rural development, especially in rural livelihood promotion. He had conducted extensive field work in the course of reviewing development projects (NERCORMP and MLIPH) financed by the International Fund for Agriculture Development (IFAD) in Assam, Meghalaya and Manipur States on a yearly basis since 2011 and had conducted extensive fieldwork in the course of designing a Rural Livelihoods Project for Meghalaya being financed by IFAD.

Ms. Rupali Kalita**Managing Director & CEO**

Ms. Kalita, is the Managing Director & CEO of North East Small Finance Bank, which is the first and only Small Finance Bank from the North Eastern part of India.

She is an experienced development banker with an experience of over 36 years in the Banking and Financial Services sector. She has 20 years of experience in Retail Banking in Langpi Dehangi Rural Bank during her tenure as Senior Manager in the bank and 16 years of experience in working with the base of the pyramid people, providing them financial and other support services to alleviate them from poverty. She had been heading RGVN(NE)MFL, an NBFC-MFI as the Managing Director since its inception and until its transformation into North East Small Finance Bank Ltd on 16th October, 2017. Ever since she has been at the helm of affairs of North East Small Finance Bank as the MD & CEO of the Bank.

Ms. Kalita, has to her credit a degree from Boulder Institute of Microfinance, Turin, Italy besides various other certifications from different institutions. She has been trained in Microfinance from Basix and have exposures to ASA, BRAC premier institutions in Bangladesh and in Amana Ikhtiar, Malaysia, Bank Patanian and Bank Simpanan, Malaysia, to name a few. She has also completed a certificate course on Strategic Leadership in Financial Inclusion in HARVARD, USA in March 2016.

She has been working for the empowerment of the under privileged women in rural and urban sector through financial intermediation by persistently encouraging them to build up their confidence and to emerge as successful entrepreneurs.

Ms. Sutapa Banerjee**Independent Director**

Sutapa Banerjee has spent 24 years in the financial services industry across 2 large multinational banks and a boutique Indian Investment Bank, building and heading several businesses. A well-recognized thought leader in the Wealth Management

space having successfully built the Private Wealth businesses in 2 organizations Sutapa has received accolades both within the country and internationally including being amongst the 'Top 20 Global Rising Stars of Wealth Management' (Institutional Investor Group in 2007). In 2012 she was shortlisted in the '50

most Powerful Women' by Fortune India.

Currently she serves as an Independent Director on the boards of several companies in the JSW, Women's World Banking Groups and Oxfam India among others. She is a Visiting Faculty with IIM Ahmedabad co-creating and co-teaching an elective titled 'A Gender Lens on Corporate Policies' - a first for any business school anywhere. She also works as a Business Coach for senior leadership talent and consults in the Wealth and Investments area for the Gerson Lehrman Group.

Ms. Sutapa is an Advanced Leadership Fellow (2015) at Harvard University. Her study was

on Cognitive Errors and biases in Decision-Making and its applications on Corporate Policies and Practices. She teaches, trains, writes and speaks actively on the subject both internationally and within India. A member of the CII National Committee on Integrity and

Transparency in Governance, she also serves on the Advisory Panel of the 'India Responsible Business Forum'.

Mr. Bhaskar Jyoti Sarma

Part Time Chairman(PTC)



Mr. Bhaskar Jyoti Sarma, retired Chief General Manager of State Bank of India with 36 years of experience in banking and having worked in different capacities in Line and Staff positions at all levels including the Top Executive grade. He has held a variety of assignments during his tenure in SBI and has served in different locations in India and abroad (including tenure in SBI's branch at Chicago, USA). He has an extensive and in-depth ground level experience in Financial Inclusion initiatives in the under-banked and unbanked areas of North East having been the General

Manager in SBI's NE Circle covering the states of Meghalaya, Mizoram, Manipur, Nagaland and Tripura. He was also the MD & CEO of SBI General Insurance Co. Ltd a JV between State Bank of India and IAG, Australia (the largest General Insurance company of Australia with operations extending to parts of SE Asia).

Mr. Sarma has been appointed as Part Time Chairman of the bank vide RBI letter dated July 03, 2019.

Mr. Ranjit Goswami

Independent Director



Mr. Goswami had joined SBI as Probationary Officer in 1975 and had retired in 2014 as CGM[HR] from the SBI Corporate Centre in Mumbai. He has worked in wide range of assignments covering entire gamut of banking

operations in different parts of India and also abroad. His critical areas where he has gained expertise include Treasury, Credit Department, Rural Development, Banking Operations, HR and Inspection. He has been associated with NESFB since 15th December, 2015.

Mr. Gautam Barua**Independent Director**

Mr. Gautam Barua is currently the Director of Indian Institute of Information Technology, Guwahati and Professor of Computer Science and Engineering. He was the Director of IIT Guwahati from 2003 till 2013 and is currently on deputation from there. He was also the officiating Director of NIT Silchar during 2003-2005, and the Mentor Director

of IIT Patna in 2008-09. He was at IIT Kanpur from 1982 till 1995. He graduated from IIT Bombay with B.Tech and M.Tech degrees in Electrical Engineering. He obtained a PhD degree in Computer Engineering from the University of California, Santa Barbara, USA in 1981. His areas of interest are Operating Systems and Networks. He is an IT consultant to the Government of Assam and to a number of public enterprises.

Mr. Manish Purshottam Thakkar**Nominee Director (RNT Associates Pvt Ltd.)**

Mr. Manish has more than 23 years of experience in financial services, specializing in investment banking, private equity, mergers and acquisitions, deal negotiation and transaction structuring. After more 17 years in investment banking with KPMG Corporate Finance, ICICI Securities and Nomura, he turned entrepreneur and angel

investor. Manish has expertise in financial services and investment banking space and has advised corporations, investors and governments on several transactions over the years. Manish is currently working with Avanti Finance a FinTech start-up promoted by Mr Ratan N Tata and Mr. Nandan Nilekani. Manish is a commerce graduate and a Chartered Accountant.



Mr. Njord Andrewes
Nominee Director (Nordic Microfinance Initiative)


Mr. Njord Andrewes is an Investment Director in NMI. Prior to joining NMI, Mr. Andrewes was a Senior Equity Research Analyst at Lazard Capital Markets. Before Lazard, Mr. Andrewes was an Equity Research Analyst at Janney Montgomery

Scott, LLC. He began his career at Robertson Stephens in Sales and Trading. Mr. Andrewes received an MBA in Finance from the Kelley School of Business at Indiana University, and a B.A. in Economics from Hope College. He has been associated with NESFB since July 2014.

Mr. Robert Douglas Dunn
(Nominee Director- Dia Vikas Capital Private Limited)


Mr. Robert Douglas Dunn (Nominee Director- Dia Vikas Capital Private Limited)

Robert Dunn is the Global Executive Director of Opportunity International. A global network, Opportunity has programs in more than 20 of the world's poorest countries. Using innovative financial solutions and training, it empowers people living in poverty to transform their lives. From August 2008 until March 2018 he was the Chief Executive Officer and Director of Opportunity International Australia, having joined the organization in November

2006 as Chief Financial Officer. Robert is also a Director of Opportunity's Indian subsidiary, Dia Vikas Capital, which manages the provision of microfinance services in India. Since 2008 Dia Vikas has invested or lent to local microfinance institutions who serve over 34 million clients in India.

Robert is the Chair of the Port Authority of New South Wales and is a director of Logosdor Limited. Prior to joining Opportunity, Robert was the Finance Director with Patrick Corporation for 14 years. He is a member of the Australian Institute of Company Directors and of Chartered Accountants Australia and New Zealand.



KEY MANAGERIAL PERSONNEL

Ms. Rupali Kalita

Managing Director & CEO



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Mr. Mukesh Singh Verma

Company Secretary & Chief Compliance Officer



A Corporate Professional having more than 13 years of total experience in the domain of Corporate Law & Corporate Governance Compliances, Corporate Legal, RBI Regulatory & AML Compliances, Liaison with the Government &

regulatory authorities, Representation before the quasi-judicial authorities etc. He has experience across industries while being associated with reputed corporate houses like DLF Group, Eastman Group, GMR Group, HFL

Group and AU Small Finance Bank Limited.

He has an extensive knowledge and expertise in setting up Small Finance Bank(SFB) and Compliances in Banking Sector / Corporate re-structuring matters. He is a Commerce Graduate with Honor's (Accounting & Finance), Fellow Member (FCS) of the Institute of Company Secretaries of India (ICSI), New Delhi and a Member (MCSI) of Chartered Institute for Securities & Investment, (CISI) London.

SENIOR MANAGERIAL PERSONNEL



Mr. Prem Prakash

Chief Risk Officer



Mr. Prem Prakash joined the Bank as Chief Risk Officer. He is a Science Graduate, holds CAIIB from IIBF and Certified Financial Risk Manager (FRM) from Global Association of Risk Professionals, USA.

career with State Bank Group as a Probationary Officer and worked in various capacities in Branch Banking, Retail & SME lending for 6 years.

He has also worked with Axis Bank, ICICI & Equitas Small Finance Bank in the area of credit, market and operational risk. He was last working with Equitas Small Finance Bank as Head of Operational & Enterprise Risk and played vital role in setting up of Bank's risk appetite & integrated risk framework.

He has over 17 years of banking experience in the domain of Retail & SME lending, Trade Finance and Risk Management. He started his

Mr. Sabyasachi Ray Choudhury

Chief Audit Officer & Chief Vigilance Officer



Mr. Sabyasachi Ray Choudhury is a professional with over three decades of experience in Operations, Compliance and Audit in Banking and Financial Services (BFSI) sector.

Kotak Mahindra Bank in various capacity.

Before joining this organization, his last stint was with Kotak Mahindra Bank as a Vice President. He is a post graduate and alumni of XLRI, Jamshedpur."

He has worked with ANZ Grindlays Bank, Standard Chartered Bank, ING Vysya Bank and

Mr. P.C. Dean

Head Treasury



Starting his career as a Bank Probationary Officer in 1994, Mr. P.C. Dean has worked in various Indian Banks and Multinational banks across pan India in the areas of Bank Treasury

Front Office/Treasury

Back Office/Treasury Mid Office & Risk Management/Payment Systems like RTGS/NEFT/SFMS/IMPS/SWIFT, Compliance and Risk Management. The work exposure includes Money Markets, Foreign Exchange Markets, Capital Markets and Derivative Markets. He has a total experience of 24 years in various Indian and Foreign Bank Treasuries.

He had previously worked as Vice President in Integrated Treasury in the Multi National Japanese Bank Sumitomo Mitsui Banking Corporation, New Delhi, from 2012 to 2016 and built the Foreign bank Treasury for the new licensed bank based at New Delhi.

Prior to that, he had worked with Development Credit Bank, Mumbai as Associate Vice President, Treasury Department and had also worked with various banks like, Dhanlaxmi Bank as Chief Manager Treasury, Centurion Bank of Punjab as Senior Manager Treasury and HDFC Bank as Finance Manager.

Mr. Ali Mohammad Saquib

Chief Technology Officer



A B.E. in Electronics and Telecom, Mr. Saquib spearheaded project operations with key focus on defining Service Level Agreements (SLA's), Standard Operating

Procedures (SOP's) as well as interacting with prestigious clients, business partners, industry leaders, vendors & other key stakeholders with domain expertise in BFSI industry. He was handpicked by Government of India (Ministry of Finance) to lead the project of establishing Bharatiya Mahila Bank Ltd. from scratch as Head of IT Department. He had recommended and enforced IT procedures and standards for adherence of project output to audit in compliance with banking regulations and guidelines. He has managed technology deliverables under a challenged environment

of operating with legacy and obsolete systems with under-invested technology; possess knowledge of BFSI, UIDAI, CMS, AML, CBS (TCS Bancs and FIS Profile), SFMS and Payment System. He is a subject Matter Expert with exceptional skills in managing delivery frameworks and new technology implementation projects for streamlining related activities as per quality standards.

His skill sets includes Project Delivery Management, Technology Planning, Subject Matter Expert, Resource Development & Management, Business Process Re-engineering, Client Engagement (Business/Stakeholder), Strategy Consultation, Database Management, Training and Development.

Mr. Tridip Sarmah
Chief People Officer


Mr. Sarmah has 31 years of comprehensive human resource experience including planning, business development, recruitments & retention, conflict resolution, change management and administration across various FMCG, telecom, manufacturing, service industry and banking industry. Mr. Sarmah's professional skill sets include strategic planning, HR Strategy development & management, recruitment operations

& talent acquisitions, industrial relations/ CSR, quality and statutory compliance, training & development and staff motivation & management and legal management.

Prior to joining North East Small Finance Bank as the Chief People Officer, Mr. Sarmah was working with Bharti Airtel as HR-Head. He has previously worked in Brooke Bond as HR Manager and with Hindustan Unilever Ltd. as Senior HR Manager and in Kaziranga University for a brief period.

Mr. Pritesh Nath
Head Business


Mr. Nath has joined North East Small Finance Bank as the Business Head of the organization. He is a post graduate in Marketing & Business Finance and a bank management professional with 19 years of proven expertise in Marketing, Business Development, Customer Relationship Management, HR & Administration functions. He has been assigned in leading companies across Banking sector and have consistently given superlative performances and achieved targets across assignments. He has established

new branches, expanded marketing networks, developed product brands and also handled marketing of banking, investment and financial products in the North Eastern Region of the country.

He has also discharged human resource management functions, managed overall administration of branch clusters, and coordinated & maintained relationships with SLBC members & government authorities. He has also assisted in audit of branches and ensured adherence to audit guidelines and procedures.

Mr. Gunajit Bayan
Head Asset


Mr Bayan has been associated with the organization, since its inception. He is responsible for overall operations of the organization and implementation of Strategic Business in line with organization's vision. He has attended trainings on Microfinance, Process Maps, Risk Management and Intellectual Development. He is a member of the Purchase Committee, Risk Management Committee and ALCO of the organization. He is also an honorary Chairman of Socio Economic Development Center, an

NGO from Barpeta, which works in the area of community development for Assam Jewellery artists. His past experience includes promotion of SHGs, SHG Federation, promotion and development of voluntary organizations engaged in economic development of the rural mass, heading NGO development operations at Nagaland, Manipur, Meghalaya and Assam. He has extensive experience in working in the North East region and understands the peculiarities of running operations in the region.

PARTNERS IN GROWTH

Investors



**R & T ASSOCIATES
PRIVATE LIMITED**



**SIDBI TRUSTEE
COMPANY LIMITED**



ECB



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FY 2018-19 has been a good year for NORTH EAST SMALL FINANCE BANK LIMITED, this is the 2nd year of banking operations for the bank since its inception on October 17, 2017.

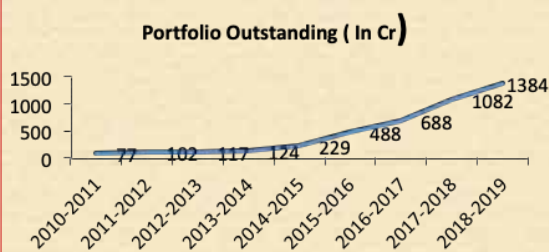
Key highlights of financials are presented as below:

(Rs in '000)

Particulars	FY 2018-19	FY 2017-18
Interest income	27,44,210	963,163
Other income	1,26,809	81,636
Total income	28,71,019	1,044,799
Expenditure		
Interest Expended	12,53,317	521,757
Operating Expenses	9,78,357	280,642
Provisions and Contingencies	2,69,937	19,073
Total expenditure	25,01,611	821,472
Net Profit After Tax	3,69,408	223,327
Profit Brought Forward	1,67,676	181
TOTAL	5,37,084	223,508
Transfer to Statutory Reserve	92,352	55,832
Transfer to Investment Fluctuation Reserve	28,219	-
Balance Carried to Balance Sheet	4,16,513	167,676
TOTAL	5,37,084	223,508
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	1.26	1.15
Diluted	1.26	1.15

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS

The total portfolio outstanding of NESFB as on 31st March 2019 stands at Rs. 1383.97 crore. The cumulative disbursement for the Financial Year 2018-19 stands at Rs. 1304.85 crore with PAR > 30 days of 1.46%.

Portfolio

The portfolio outstanding increased from Rs.1082.40 crore to Rs. 1383.97 crore with a growth rate of 27.86% for the FY 2018-19.

The portfolio outstanding per branch office increased from Rs. 7.02 crore to Rs. 7.73 crore in the FY 2018-19.

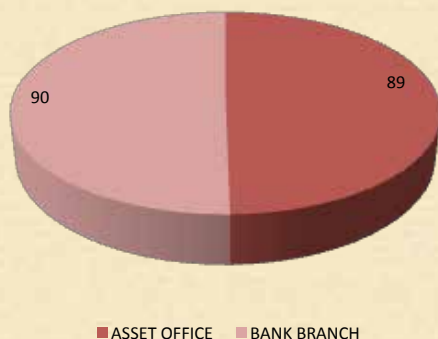
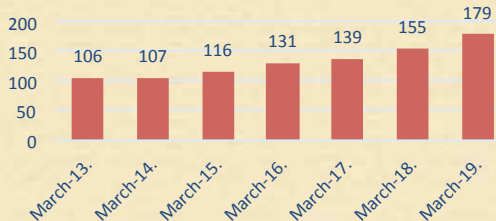
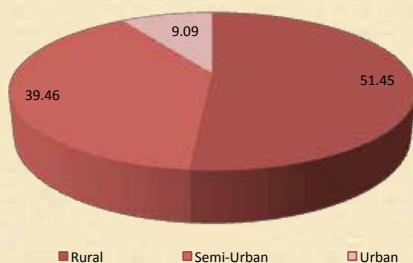
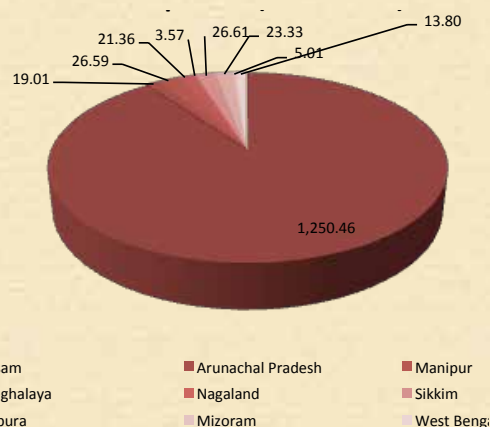
The total deposit has increased by 113.36 % to 267.37 crore from 125.31 crore during the year. CASA ratio to total deposit is at 22%.

North East Small Finance Bank expanded its area of operations to 9 states in the FY 2018-19 from 8 states.

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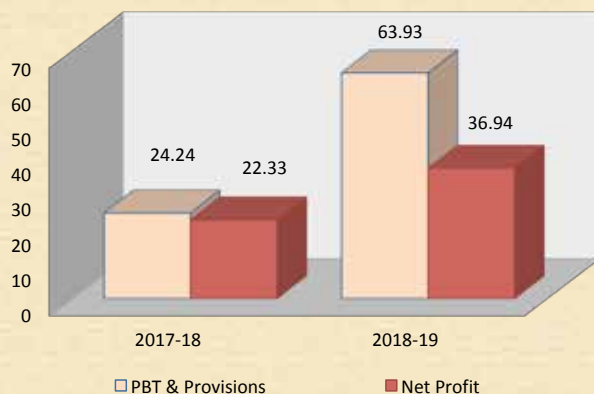
The number of branches increased from 155 to 179 in the FY 2018-19.

North East Small Finance Bank is having 179 operating branches, which includes 90 bank branches and 89 asset offices spread across 9 states, namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur, Mizoram and West Bengal.

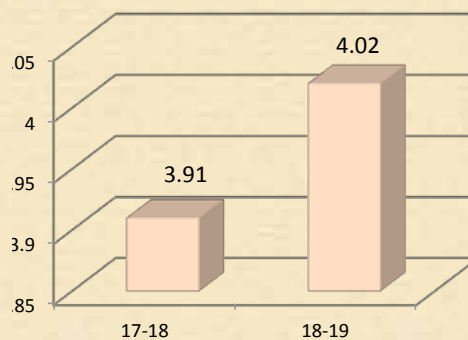
No. of Branch as on March' 19**Branches****Classification wise Exposure (Amt In Cr.)****State wise Exposure (Amt. in Cr.)**

OTHER KEY FINANCIAL HIGHLIGHTS

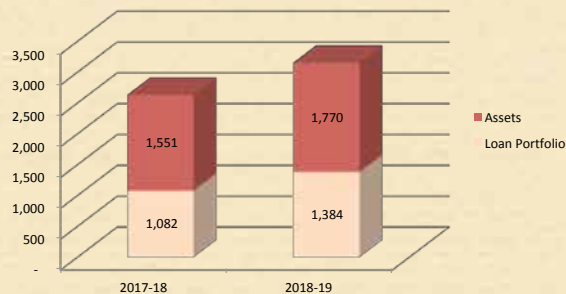
Profit Before Tax and Net Profit (In Cr.)



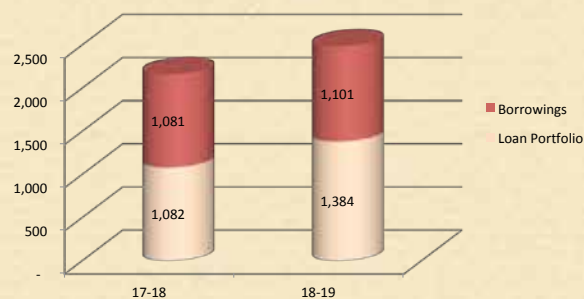
Debt Equity Ratio



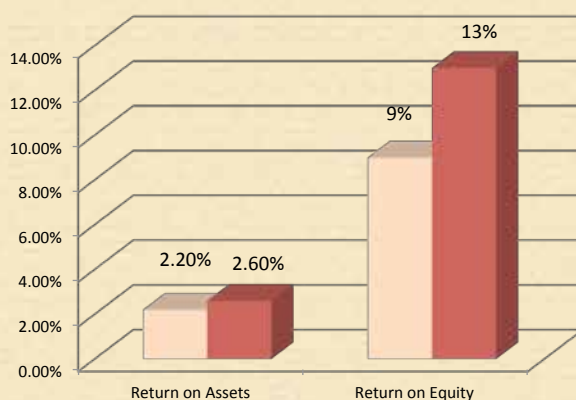
Loan Book to Assets



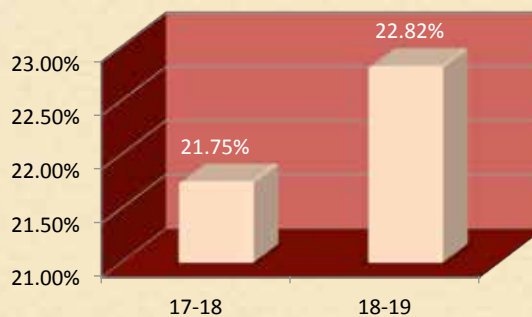
Loan Book to Borrowings (in Cr.)



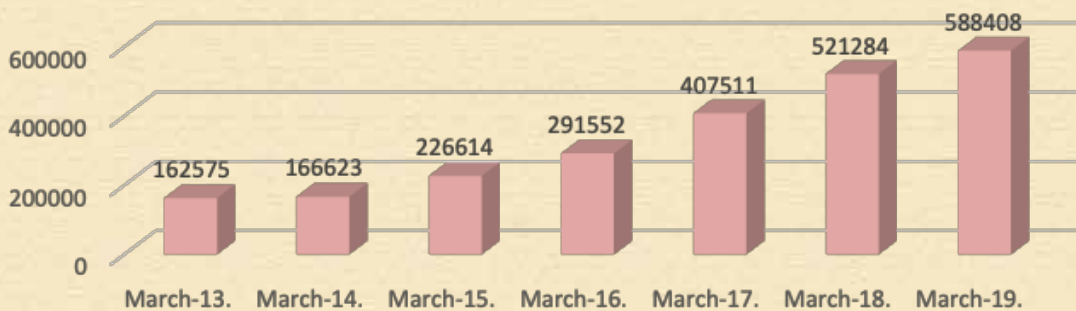
Return on Asset and Return on Equity



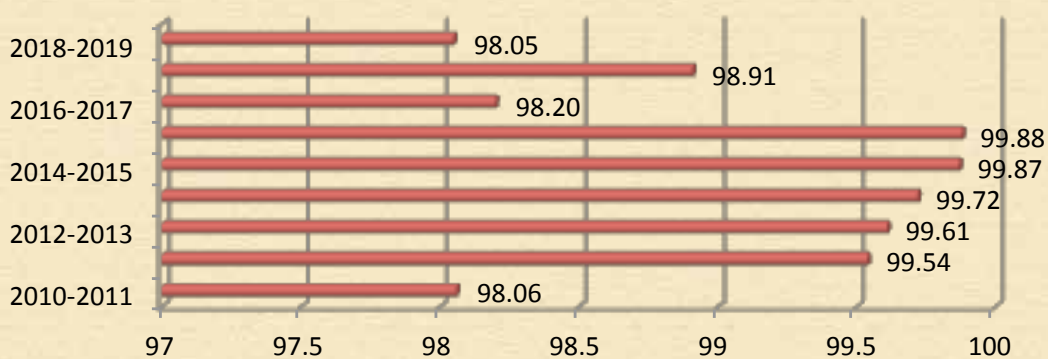
Capital Adequacy Ratio



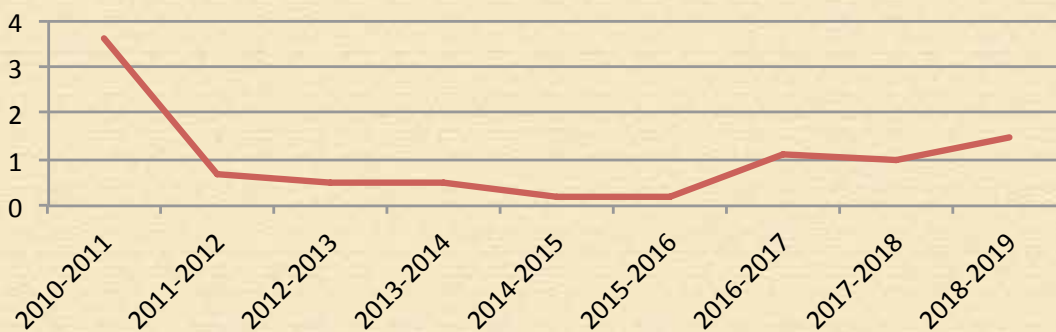
Borrower



On time recovery Rate



PAR>30 Days



Operations

Our branches reflect our Bank's image and serve as an indicator of our growth history. With close to nearly 100 bank branches and 95 asset offices spanning across 9 States (Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Meghalaya, Nagaland, Sikkim and North Bengal) in India, our branches mobilise deposits from new-to-bank customers as well as of existing Loan Customers and drive the customer engagement strategy across our various products and services. We continue to focus on enhancing our presence in urban, semi urban and rural India and increasing our physical presence in both banked and unbanked rural regions. Central Processing Centre helps all the Branches to meet the customer requirements ensuring with better customer satisfaction. The Central Processing Centre supports the Branches in Account Opening, CTS Clearing, MF Loan Disbursement, Treasury Back Office functioning, attending and resolving customer queries, Retail Asset Loan Disbursement (EDL, Home Renovation etc). The Central Processing Centre also deals in all Payment Products viz. RTGS, NEFT, IMPS, Bill Desk etc services and its reconciliation and settlement and also handling of customer dispute for NFS ATM, Rupay. The Branch Supervision Unit under Central Operations helps Branches in their day to day operations and ensures that branches abide by the bank's guidelines.

Credit

During the course of the year, the department worked on the development of a number of products like Enterprise Development loan, Micro Business loan, Diesel Generator set loan, Loan against deposits, Home Improvement Loan and Loans to Microfinance Institutions.

Out of these, Enterprise Development loan, Micro Business loan and Loan to MFI's were launched and the rest of the products were under system development.

The Department has grown from strength to strength during the financial year 2018-19 by streamlining of the products, policies and processes.

The department has also extended its support in terms of product configuration in the system for processing of loan proposals and improve TAT substantially.

During the FY 2018-19 the department has sanctioned in excess of Rs. 695 lacs.

Human Resource

HR Vision

A learning organization-all aspire to join

- Employee friendly HR practices – best in class
- Robust training process

To materialize the above vision, we have undertaken the following actions.

A brief note of the success achieved so far is captured in the following headings:

Road Travelled

Recruitment Snapshot: Total 563 new recruits took place during the period for different positions of BH, ABH, SWO, Manager Assets, BDE- A, BDE- L, Manager Liability, Officer Asset, etc.

Top Position Closure: Critical positions closed like Head - IT Applications & Delivery, Head - Retail Asset Ops, Head - Talent Management, Head - Talent Acquisition, Head - Employee Engagement, Head - Planning, Projection & Products, Head - Reconciliation, Head - Accounts & Taxation, Head - Information Security, Zonal Head, Consultant MSME etc.

Training Details:

Banking Training: 1449 employees participated in 25 different training programs conducted by 22 different institutions. Training topics covered are Basic Banking, Credit and NPA management, Compliance etc.

PMS roll out: KRA and KPI were distributed to the employees. Fully integrated online PMS implemented.

Leadership Workshop: Leadership workshops were also organized to ascertain the strengths and rooms for improvement of the leadership team. Leadership training was given by Agama Educon, IIBM, IDBRT, RBI, CAB, NEDFI and many more.

Employee Engagement:

Employee Engagement activities have started involving all employees. We have celebrated Diwali, Independence Day and other festivals together with various contests. Teams from different zones participated in first ever NESFB Cricket Tournament. These processes inculcated a positive work culture and energized workforce.

Employee Retention Policy:

To make NESFB a good place to work with employee friendly HR schemes. Employees are already benefitted from Car Scheme for senior employees. ESOP, Performance Linked incentive, Food Allowance are in the process of implementation. Uniform pay roll, Salary revision for Senior level employees, CEP, Deferred Joining Bonus scheme, fixed increment to Performance pay etc. are to come.

Staff Rotation: 397 employees were rotated during the year which will continue for wider exposure of employees as well as compliance in mind.

HR Policies: Defined career progression plan is in place. Employees were promoted to Retail businesses those joined the MFI business earlier through career progression.

Way Forward**Training Prospect**

a. "Refresher Program for SWOs" is planned jointly with SBI Training Centre, Guwahati (SBILD, Guwahati). The course will comprise of detailed elaboration on the various activities for the role of SWO and will be imparted as a combination of classroom lectures, cases and simulations.

b. As a part of Skill & Competency building initiative of the Bank, we are planning to map specific training & E-learning programmes to the employee's basis the gaps identified as an outcome of the PMS activity.

Continuous Education Policy

Employees are encouraged to take up professional courses to enhance their education level.

Certification Courses

Employees are encouraged to get certifications as per banking requirements.

Employee Connect

My Zone, My Family: All zones have a HR representative as Zonal-HR. Besides this a Senior HR person acts as a buddy for a zone who monitors the zone as single point of contact to ensure support from HO – not only for HR matters but also coordinates other activities pertaining to other departments as well.

Technology

Core Banking System (CBS)

The bank has completed the migration of all customer and transaction data to a modern Core Banking Solution. The bank has implemented FIS Profile core banking system. This is the centralised system established by a bank which allows its customers to conduct their business irrespective of the bank's branch. It removes the impediments of geo-specific transactions. The applications hold/stores all the information of the customer, its financial activity and engagements of services. Bank Employees at the branches and/or designated perform their daily operations and banking transactions. Most of the other applications connect to this application. Last year, the bank introduced the Goods and Sales Tax module, Non-Performing Assets Module, etc. on its Core Banking system

ADF/MIS Reporting system

ADF/MIS is a reporting tool and works as a report repository. There is a STP process in extraction and loading of data from source system to MIS. The bank is working to implement the Reserve Bank of India's Centralized Information and Management system (CIMS) and Automated Data Extraction Project (ADEPT) to ensure Automated Data flow from the Bank's system.

Digital Channels

The Bank is investing substantially in the digital environment: Retail Internet Banking, Mobile banking and SMS Banking.

Tab Banking

The Bank has launched its ambitious Tab Banking project in line with its stated policy of being "Your Door Step Banker". The bank's employees use hand held device to collect small ticket loan repayments and cash deposits. Very soon, the devices would be used to on-board new customers and dispense cash to its customers. This will help customers in remote areas where there are no bank branches or ATMs.



Retail Internet Banking

Retail Internet Banking, also known as Online Banking or e-Banking enables the bank's customers to manage their accounts and transact directly with the Bank through the internet, anywhere and anytime, without physically visiting the bank's branches.

Retail Mobile Banking App

Retail Mobile banking is a service provided by the bank that allows our customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike Internet Banking, it uses a mobile based software. Currently we are live on Android and IOS environment.

SMS Banking

This is a simple feature to provide financial services using SMS. The system involves the users sending SMS requests with pre-defined keywords and parameters to get the required data through a response SMS.

KYC AML

Currently bank is manually verifying KYC of customers and integration for NSDL is in place. Bank is working to introduce cKYC and Aadhaar for enabling proper KYC of customer. The Customer profiling is carried out through CrossFraud (AML application) to monitor financial transaction. The extraction of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) is automated.

Debit Card Management System and SWITCH

Debit card management system (DCMS) and SWITCH is connected to NPCI and bank's CBS system using standard ISO messaging format. This provides complete management of card transaction processing from ATM and Point of Sales networks, Electronic Commerce, mobile and internet banking.

NESFB Debit Card System

Last year, the bank has introduced its NESFB RupayPlatinum Debit card for its high value customers. Currently NESFB card is live for NFS network, E-Commerce and Point of Sale transaction.



RTGS/NEFT Payment System

Bank is live on IDRBT SFMS platform to facilitate NEFT & RTGS transaction. The SFMS system is integrated to Core Banking system and facilitate transaction through all delivery channels live on the platform. The settlement for RBI current account is carried out by

Treasury.

Immediate Payment Service (IMPS) system

Bank has introduced the NPCI enabled Immediate Payment Service (IMPS) system for its customers at its bank Branches and Retail Internet Banking. Bank has introduced the QuickPay payment system for its customer to enable instant limited fund, without adding beneficiaries. This facility is available on the Bank's Retail Internet Banking.

Cheque Truncation Systems (CTS)

Bank is currently live on CTS platform through Chennai Grid as an Indirect member. The application used is on shared model from a vendor for handling automated cheque collection. The application is interfaced to CBS for data processing. Bank has introduced a mobile based Android app for its branches for cheque processing.

Internal Audit:

The Bank's Internal Audit function provides an independent view to its Board of Directors and Senior Management by evaluating the adequacy and effectiveness of all internal controls, risk management, governance systems and processes on an on-going basis and is manned by appropriately qualified personnel. The Internal Audit Department during the course of audit also ascertains the extent of adherence to regulatory guidelines, legal requirements and operational processes and provides timely feedback to the Management for corrective action. In line with the RBI's guidelines on Risk Based Internal Audit (RBIA), the Bank has adopted a robust internal audit policy. The RBIA has been designed after factoring regulatory guidelines and also best practices in Financial domain. The policy has a well-defined architecture for conducting RBIA across all audit entities. The audit policy and framework articulates the audit strategy in terms of a concerted focus on strategic and emerging business risks. These inputs form a key step in the identification of the audit universe for the audit planning exercise. The audit frequencies are in sync with the risk profile of each unit to be audited. This is in alignment with guidelines relating to RBIA. The scope of RBIA includes examining the adequacy and effectiveness of internal control systems, external compliances and also evaluating the risk residing at the audit entities. Further to augment the internal audit function, concurrent audit and thematic audit reviews have been integrated into the internal audit process in order to make the function more robust. The Internal Audit function of the Bank, operates independently under the supervision of the Audit Committee of the Board, thereby ensuring its independence and being headed by Chief Audit Officer [CAO]. The Audit Committee of the Board reviews the efficacy of the internal audit function, effectiveness of the internal controls laid down by the Bank and compliance with internal and also regulatory guidelines.

Snapshot on Audit Conducted during the financial year

Micro Asset Audit	343
Risk Based Audit	26
Management Audit	10

Risk Management

The Head office has a Risk Management Department with risk professionals to address key risk areas like credit, market, liquidity, interest rate, ALM, operational risk and information security risk. The department works on identification, measurement, monitoring and management of risk under guidance of Chief Risk Officer. The Bank has a Management level Risk Management Committee to address Credit and Operational Risk, ALCO for liquidity and market risk. Board level oversight on the Risk is through approving the Policies, Risk limits, Risk tolerances, Reviews and Reporting structure.

RMD focus on following key risks as under and work on the following:

Credit Risk

- Creating a robust policy in order to identify the inherent credit risk across all products
- Building risk culture and inculcating risk sensitive decision making across the Bank
- Vetting of the credit products during introduction and modification stages to assess the implied credit risk concerns and suggest mitigates
- Measure the risk identified as per the policy and conduct Risk Management Committee on a periodic basis to address the Credit risk
- Maintaining capital for credit risk as per regulatory and Basel guidelines
- Market Risk [Liquidity and Interest Rate Risk]
- To establish comprehensive risk management policy to identify, measure, and manage liquidity and interest rate risk.
- To identify the ALM risks associated with the Bank's portfolio, develop appropriate risk measurement methodology for managing and mitigating the ALM Risk.
- Build scenarios and carry out stress testing on trading portfolio of the bank
- To conduct ALCO on monthly basis to appraise the management and the Board of Directors to enable for well-informed strategic decisions. ALCO directs the business units on all the ALM Risk exposures undertaken by the Bank and initiates action/strategy for managing the exposures.

Operational Risk(IT& Non IT)

- Creating a robust policy in order to identify the inherent Operational Risk across all products
- Measure, monitor and control operational risk inherent in all such products / activities / processes through self-assessment tool and Key Risk Indicators
- Identify the operational loss events and analyse the causative factors
- Develop and maintain a data bank of the operational loss and potential risk exposures
- Measure the risk identified as per the policy and conduct RMC on a periodic basis to address the Operational Risk [including IS and Cyber risk]

Integrated Risk

Comprehensive Integrated Risk Management across the enterprise level with focus on setting of risk appetite framework and limits, monitoring of prudential limits, monitoring risk appetite statement, bank wide key risk indicators, integrated risk dashboard, stress testing, capital management and board reporting.

CORPORATE SOCIAL RESPONSIBILITY

North East Small Finance Bank puts in place processes to translate the social mission of the Bank into practice. The Bank constantly strives to ensure effective translation of the Bank's social mission in line with the accepted social values. As a part of its CSR, the Bank makes concentrated efforts for projects in the fields of Community Healthcare, Sanitation and Hygiene, Education and Knowledge Enhancement, Social Care and Concern and

other projects/ programs as it deems fit from time to time.

The key focus areas for CSR activities to be pursued are chosen in such a way that broad Mission and Vision of the bank are fulfilled. Through its activities

asset offices thereby touching and improving the lives of over 5.8 Lakh clients with a portfolio outstanding of Rs. 1383.97 crores and a cumulative disbursement of Rs. 1304 crores as on March 2019.

NESFB commenced operations on 17th October, 2017, after its conversion from RGVN (North East) Microfinance Limited, which was a premier microfinance institute operating in the North Eastern region of India, contributing in the development of the people in the region by facilitating better access to health, education and livelihood opportunities.

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

CSR Activities North East Small Finance Bank in the FY 2018-19

Besides banking, we have also been undertaking a variety of development initiatives by extending various other support services to our clients through a robust Social Performance Framework. We have laid greater emphasis on health and hygiene of our clients and in order to promote the same, we have conducted various free health camps, eye check-up camps, free cancer detection camps, etc. to our clients. Besides the health camps, we have also been extending various skill development trainings to our clients to help them in their economic activities, enhance their skills and provide them a platform to learn new skills thereby giving them more avenues for livelihood generation.

the bank aims to reach out to the poor and marginalized providing for a holistic transformation leading to creation of just and fair society. This implies addressing critical issues of the poor and the marginalized like education, health, sanitation, environment and skill development.

North East Small Finance Bank Ltd (NESFB) is the first Small Finance Bank from North East India which provides banking services to the under-banked and unbanked populace in the North Eastern part of India. Spread across 8 states in the North Eastern region of India and West Bengal, we have a network of 179 branches including 90 bank branches and 89

The various other services that we have been extending to our clients are as follows:

HEALTH CAMPS	SOCIAL AWARENESS PROGRAMME
<ul style="list-style-type: none"> Basic Health Camps in partnership with GNRC Hospital and Marwari Hospital 	Education services <ul style="list-style-type: none"> Financial literacy education Basic health/nutrition education
<ul style="list-style-type: none"> Eye Camp in partnership with Sri Sankardeva Nethralaya Free Cataract Surgery in Sri Sankardeva Nethralaya Basic Health camp with local doctors Breast Cancer Detection camps with ASMI and Pratiksha Hospitals 	Women's empowerment services <ul style="list-style-type: none"> Leadership training for women Women's rights education/gender issues training
SKILL DEVELOPMENT TRAININGS	ANIMAL HEALTH TREATMENT CAMPS
<ul style="list-style-type: none"> MOU with Mulberry – a pioneer in the field of weaving for conducting weaving training for 100 women. 	<ul style="list-style-type: none"> Free Animal Health Camp Veterinary Training programmes

Skill Development Training in collaboration with MULBERRY



The Non-Financial Services are categorized into Enterprise Services, Education Services, Health Services and Women's Empowerment Services. The sub-categorization of these services is mentioned below:

Sl. No.	Non –Financial Services	Number of beneficiaries
1	Enterprise Services <ul style="list-style-type: none"> Enterprise Skill Development Business Development Services 	5,868
2	Education Services <ul style="list-style-type: none"> Financial Literacy Education Basic Health/Nutrition Education Child and Youth Education Occupation Safety and Health in Workplace education 	20,245
3	Health Services <ul style="list-style-type: none"> Basic Medical Services Other Medical Services 	12,546
4	Women's Empowerment Services <ul style="list-style-type: none"> Leadership Training for Women Women's rights education/gender issues training Counseling/Legal services for female victims of violence 	6,091
5	Eye Cataract Surgery	172

NESFB Free Health Camp in collaboration with GNRC Hospital



We have CSR partnership with 3 major Hospitals in Guwahati - namely GNRC, Marwari Hospital and Sri Sankardeva Nethralaya for giving services in the villages we are operating. In addition to that, we also take support of the local MBBS Doctor with repute to provide services to our customers where GNRC and Marwari Hospitals mobile van cannot reach. In partnership with Sri Sankardeva Nethralaya, we have supported 172 customers in their cataract surgeries.

Activities	Number of Camps	Clients Impacted
GNRC Health Camp	40	6,726
Marwari Hospital	3	366
ASMI Cancer Detection	1	63
Eye Camp Nethralaya	12	1,088
Local Doctor Health Camp	8	859

In addition to the above services, veterinary camps and training programs attract good number of clients with their animals. We have provided veterinary services to a total of 9245 animals till Dec 2018 which include Cow, Buffalo, Sheep, Goat, Chicken, Duck and Pig.

In the training programs, the ways to do cattle rearing and the benefits were shared. The break-up of all the animals covered is given below:

SL Number	Animals	Numbers
1	Cow	2,001
2	Buffalo	33
3	Sheep	994
4	Goat	70
5	Chicken	4,423
6	Duck	1,205
7	Pig	519
Total		9245

The CSR activities that have been undertaken in recent few years have primarily focused in the Health Sector. In the last FY 2018-19, the total number of Health Service camps covering both Eye and General Health Camp's stands at 64 and out of which more than 81% of the camps were conducted in Guwahati, Baihata, Bongaigaon and Nagaon Zone.

Livelihood Generation – Handloom

Developing a market for Artisans supported by NESFB

The objective of the program is to help establish livelihood opportunities through handloom weaving for weavers supported by NESFB, so that the Artisans can be economically empowered. North East Small Finance Bank has a mandate to help small entrepreneurs and enterprises with finance which would not only help in building up business in North East but also alleviate the finance starved artisans in marketing their products.

Mulberry a non- profit organisation registered in 1999, led by Ashoka Fellow Ms. Rakhee Choudhury has associated with North East Small Finance Bank to train the weavers and marketing the products. Since, the association with North East Small Finance Bank from 30th January 2018, we have trained 77 women artisans in 4 centres namely Arangamur in Nalbari, Banoikuchi and Bhuktabari in Sipajhar, and Nichimpur in Boko Branch. A brand called "Aloron" have been established for NESFB, through which the products have been launched and sold and which is providing an identity to all the women weavers.

Aloron took part in the prestigious Mahindra Sanatkada Lucknow Craft Festival in February 2019. The various products of Aloron's trained weavers were very well-received in their initial introduction to the outside market.



INSPIRING STORIES OF SUCCESS

When Passion Becomes The Goal

Dibya Thakuria

Twenty six years ago little did Dibya Thakuria know that her passion for nurturing familial cows in her home would sow the seeds of fortune in the time to come.



From a very young age, very fond of being amongst livestock; it was but natural to rear cows after she got married at a young age to a Government employee. Dibya Thakuria led a contented life in the lush valley of Maloibari, on the suburbs of Guwahati with their three doting daughters.

The two desi cows she owned then, yielded Rs. 15/- per liter of milk which her neighbors purchased from her.

Her three daughters has grown to be very responsible, the eldest pursuing a nursing course, her second daughter doing her graduation and the youngest in high school, Dibya had ample time in her hands now. Around the time her husband retired from his services, she first heard about NESFB and approached for a loan in the year 2009. Considering how enterprising she was in her approach with a never give up attitude, NESFB granted her first ever loan of Rs. 5000/-.

Since then there has been no looking back for this go-getter lady. She has meticulously planned her livestock business in order to reap the maximum benefits. Soon the bank granted her Rs.10000/- and in the recent times the bank has given Rs. 75000/- loan to her; for her untiring efforts she has shown in her business.

Two years ago she purchased two Jersey cows which has further enhanced her business. Its commendable that the daily milk production is 25 liters now and she sells it at Rs. 50/- per liter. She now supplies the daily milk produce to Purabi Dairy, one of the most well known and oldest dairy brand of Assam.

Her livestock is now healthy with chickens, ducks and goats.

Her monthly savings is around 26000/- now. She is definitely the pillar of strength in the truest sense for her three daughters and her husband.

Her three daughters look up to their mother and they tend to continue this legacy.

Beaming with pride and joy, Dibya Thakuria says, she will be always grateful to NESFB for giving her the opportunity to change her passion into goals. She further adds, "If your passion becomes your goals, you will enjoy working for the rest of your life".

Threading Success

Suchitra Devi

For Suchitra Devi, weaving silk fabrics was something she inherited the time she stepped in as a newly wed bride into the Debnath household of Kampur, Nagaon. Being a gifted weaver herself, Suchitra took keen interest in the family business and became a full time weaver.

Her expertise coupled with her leadership qualities soon made her take charge of things and for the last decade and two years she has been instrumental in taking the business into the right path.

She first heard of North East Small Finance Bank six years ago from a few people known to her. She knew approaching the Bank for a loan would be rewarding to her.

North East Small Finance Bank gave her first ever loan of 10000/- five years ago. The loan aided her in procuring silk threads easily. Prior to her loan, it was not easy for her to buy threads as the thread sellers dealt in cash purchase only.

Suchitra has managed to grow her family business slowly and steadily. Being a regular re-

payer of her loan amount, the Bank has granted Rs. 65000 currently and today she has 32 loom where they weave yarns for Karbi & Naga mekhla.



They wholesale the yarns at Chaygaon. She has employed 32 weavers.

The turnover is approximately three lakhs per annum and she manages to save twenty thousand every month. Her two sons, aged fifteen and twelve says their mother is their "role model".

Suchitra thanks North East Small Finance Bank for giving her the opportunity to develop her family business and guiding her to establish herself so well.



Weaving Dreams

Barasha Bora

A very young and energetic Barasha Bora, from Sualkuchi;- popularly known as Manchester of Assam is weaving her dreams through exquisite silk.

Her parents are both weavers. Around seven years ago, Barasha's parents had five looms which helped them earn 30000/- per month. Watching both her parents toil, she decided to lend a helping hand to them and finally took charge of things in her able and responsible hands at a very young age of eighteen. She procured three more looms and started weaving Mekhala Chadars.

Along with the three looms, she opened a stationery store too. This all happened when she dropped out of college due to her prolonged sickness.

It was around that time when the credit officers of North East Small Finance Bank identified her capabilities and the potential she possessed. The Bank granted her a business loan of one lakh. She bought four more looms and now she produces twelve Mekhala Chadars a month. She has employed nine weavers and both her parents

weave on the looms too.

She says, "North East Small Finance Bank has played a pivotal role in securing her and her family's future. The Bank has been a constant support system throughout, not only for me but indirectly also to the nine weavers who work in my looms".

Barasha manages an income of 80000/- per month now. She sells her Mekhala Chadars across the state.

She has been prompt and regular in repaying her loan instalments to the Bank.

For the twenty one year old Barasha, the sky is the limit. She is a shining example in her neighbourhood. People of her age look upto her and aspire to be industrious like her.

From a meagre income of five looms which her parents owned to twelve looms now coupled with a stationery shop too and a self sufficient life, she plans to continue weaving her dreams.



Green Thumb

Anima Saikia Dutta



For Anima Saikia Dutta, she never planned how her future would be. But she was assertive that she could turn table for something more meaningful. Hailing from Titabor, in Jorhat she decided to utilize her small plot of land to the best of her abilities.

To support her husband who drives a Tempo and her two sons aged six and two, Anima turned her unutilized plot of land into a small tea plantation.

In 2009 she heard about the micro loan of the bank and approached the organisation for a loan to start her venture. From a loan of Rs 5000 in 2009 to Rs 45000 presently, North East Small Finance Bank has given her constant support to augment her dreams.

From sowing to plucking the green leaves, Anima's journey has been a long one. What

seemed like a distant dream for this woman is now rewarding.

It took about a decade but it has been worth every struggle she faced.

She now sells a quintal of green leaf weekly at 19/- / 18/- per kg; depending on the market value of the time.

On asking her how she feels about her achievement, she smiles placidly and says, "I never thought I could achieve all this. With my savings, I have been able to support my family and rebuild my dilapidated house too."

She says she is grateful to North East Small Finance Bank for providing her guidance and support to secure and plan her family's future.

Preserves & Perseverance

Amirun Nessa

What started as a hobby is now a full time job for Amirun and she enjoys every moment of being engaged and dedicated towards it.

Amirun, belonging from Mangaldoi, grew up seeing both her grandmother and mother making mouth-watering pickles and juices at home, with whatever seasonal fruits and vegetables available.

Inheriting this trait from the two women she grew up with, she fine tuned this skill further, by attending a training programme organized by a local institution in 2008.

Though she had the expertise now, it was not an easy task to market and sell her products. She had to sell the pickles, juices, jams and jellies door to door.

She soon heard about North East Small Finance Bank in her neighbourhood and approached the Bank for a loan to streamline her business. The bank gave her a loan of Rs 10000 to augment the working capital of her business.

Amirun soon started participating in Trade Fairs and Expos. She came to recognition when she participated in the International Agro Trade Fair and has been a regular participant and showcased her work at Guwahati, Nalbari, Dhekiajuli to name a few places.

With the aid 40000 as loan from North East Small Finance Bank presently, her business is gaining momentum and now she produces eighteen different varieties of pickles, jams, juices and jellies. Her conoction ranges from mango to star fruit and to garlic and tamarind.

She never lets go waste the seasonal fruits and vegetables that grow in abundance in her home.

Her monthly income is now 30000/- per month. She engages four helpers too to support her in

her venture.

Her husband and two grown up sons are immensely proud of her achievement and says it is her “never give up” attitude which has been instrumental. They cannot imagine Amirun sitting idle at any given point of time.

As for Amirun, she feels blessed from the very thought that her lip-smacking condiments spice up the lives of so many.



DIRECTOR'S REPORT

2018-19



DIRECTORS' REPORT

To
The Members,

Directors of North East Small Finance Bank Limited have pleasure in presenting their 3rd Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the financial year ended 31st March, 2019.

1. FINANCIAL HIGHLIGHTS -

During the year under review, performance of your Company as under:

(Rs in '000)

Particulars	FY 2018-19	FY 2017-18
Interest income	27,44,210	963,163
Other income	1,26,809	81,636
Total income	28,71,019	1,044,799
Expenditure		
Interest Expended	12,53,317	521,757
Operating Expenses	9,78,357	280,642
Provisions and Contingencies	2,69,937	19,073
Total expenditure	25,01,611	821,472
Net Profit After Tax	3,69,408	223,327
Profit Brought Forward	1,67,676	181
TOTAL	5,37,084	223,508
Transfer to Statutory Reserve	92,352	55,832
Transfer to Investment Fluctuation Reserve	28,219	-
Balance Carried to Balance Sheet	4,16,513	167,676
TOTAL	5,37,084	223,508
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	1.26	1.15
Diluted	1.26	1.15

2. OPERATIONAL HIGHLIGHTS -

The total portfolio outstanding of NESFB as on 31st March 2019 stands at Rs. 1383.97 crore. The cumulative disbursement for the Financial Year 2018-19 stands at Rs. 1304.85 crore with PAR > 30 days of 1.46%.

The portfolio outstanding increased from Rs.1082.40 crore to Rs. 1383.97 crore with a growth rate of 27.86% for the FY 2018-19.

The portfolio outstanding per branch office increased from Rs. 7.02 crore to Rs. 7.73 crore in the FY 2018-19.

The total deposit has increased by 113.36 % to 267.37 crore from 125.31 crore during the

year. CASA ratio to total deposit is at 22%.

NESFB expanded its area of operations to 9 states in the FY 2018-19 from 8 states. The number of branches increased from 155 to 179 in the FY 2018-19.

NESFB is having 179 operating branches, which includes 90 Banking outlets (BO) and 89 Asset offices (AO) spread across 9 states, namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur, Mizoram and West Bengal.

As on March 31, 2019

Particulars	Unbanked Rural Centers (URC)	Non-Unbanked Rural Centers.	Total
Banking Outlet	71	19	90
Asset Office	76	13	89
Total	147	32	179

The total staff strength increased from 1084 to 1595 in the FY reflecting a growth rate of 47%. The bank has started third party insurance business as a part of the para-banking activities with the approval of RBI and IRDAI in the FY 2019.

The table below depicts the total number of branches as on March 31, 2019.

State	Banking Outlet	Asset Office	Grand Total
Arunachal Pradesh	3	1	4
Assam	74	70	144
Manipur	2	1	3
Meghalaya	5	2	7
Mizoram	NIL	2	2
Nagaland	NIL	1	1
Sikkim	2	5	7
Tripura	4	3	7
West Bengal		4	4
Grand Total	90	89	179

3. **DIVIDEND**

Considering the growth and operations of the Company, the Board has not recommended any dividend for the year.

4. **AMOUNT TRANSFERRED TO RESERVES**

The Company has had a profitable year of operations and returned a post-tax profit of Rs.36,94,08,000. It has transferred an amount of Rs.9,23,52,000 to statutory reserve fund in accordance with the provisions of Section 45 - IC of The Reserve Bank of India Act 1934.

5. **MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY:**

There are no material changes and commitments, that would affect financial position of the Company from

the end of the financial year of the Company to which the financial statements relate and the date of the Directors Report.

6. CHANGES IN THE SHARE CAPITAL, IF ANY.

No additional equity shares have been issued during the FY 2018-19.

7. EMPLOYEE STOCK OPTIONS PLANS (ESOP)

The Bank does not have an ESOP Policy / Plan and during the year under review, Bank has not issued any employees stock options to any of its employees.

8. ISSUANCE OF NON-CONVERTIBLE DEBENTURES

During the year, the Company has not issued any NCDs.

9. EXTRACT OF ANNUAL RETURN

Annual Return of the Company is available in the website of the Company as compliance of the provisions of the Section-134 and 92 of the Companies Act, 2013 in compliance to the Companies Amendment Act 2017 by Ministry of Corporate Affairs w.e.f July 31, 2018.

Website Link: <https://www.nesfb.com/>

10. STATUTORY AUDITORS

M/s MSKA & Associates, Chartered Accountants, were appointed as the Statutory Auditor by the members in the last Annual General Meeting. Their term expires at this Annual General Meeting. They have expressed their eligibility for re-appointment. The Board recommends their re-appointment.

11. DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v)&(vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

12. STATUTORY AUDIT OBSERVATIONS:

The comments made by M/s MSKA & Associates, Chartered Accountants, Statutory auditors are self explanatory in nature and reply to the observations are replied herewith in this report.

13. EXPLANATION ON QUALIFICATION, RESERVATION OR ADVERSE REMARKS OR DISCLAIMER MADE BY THE AUDITORS IN AUDIT REPORT.

As per Statutory Audit report there are few qualifications, as under:

1. The calculation of 'days past due' was not accurate for existing loans in CBS post migration. This has led to incorrect classification of advances by the CBS.
2. Certain material weaknesses in the design and operating effectiveness of both manual and automated controls, as under:
 - a) Ineffective information technology general controls
 - b) Migration of incorrect balances from old system to core banking system
 - c) Absence of monthly preparation of Bank reconciliation statements
 - d) Incorrect classification of non-performing assets by the core banking systems by the existing loans.

Explanations on qualifications

The Bank post evolving from NBFC environment, migrated the entire customer data along with other relevant data to new Core Banking Solution [CBS] environment. To provide continuity to the existing Business environment, the migration of 149 branches happened in truncated manner between October 2017 and October 2018.

To enable smooth migration process, some of the control aspect of Core Banking Solution was diluted, with close supervision control. The diluted control aspects of CBS have since been reinstated post migration exercise.

Incorrect Balances migrated identified by the Management and Independent Auditor conducting the “Migration Audit” exercise, followed by generation of rectification entries. Identified rectification entries were validated by the Statutory Auditors followed by passing of rectification entries.

During the Migration exercise due to change in system process flow there was disruption in the perpetual reconciliation of Bank statements. Post migration exercise the reconciliation process backlog was cleared off with passing of adjustment entries, post validation by Statutory Auditors.

For a section of delinquent accounts migrated, were with wrong Days past due (“DPD”) to CBS, resulting in incorrect classifications of non-performing assets. Wrong DPD in delinquent accounts were identified by the Independent Migration Auditors. Management accordingly updated the DPD in identified delinquent accounts in CBS during July 2019. Since then CBS is able to provide automated classification of non-performing assets.

Post rectification of stated gaps, Management continues to do sample test of ongoing trajectories which have since been noted as adequate with no apparent gaps hitherto observed, confirming internal controls in place.

14. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES**

The Company has does not have any Subsidiary, Joint Venture or Associate Company.

DIRECTORS AND KMP: Appointment of Director and KMP during the FY 2018-19.

Name	Designation	Date of Appointment
Mr. Bhaskar Jyoti Sarma	Independent Director	24/08/2018
Mr. Manish Purshottam Thakkar	Nominee Director	24/08/2018
Mr. Nipun Bhatia*	Chief Financial Officer (CFO)	24/08/2018

*Resigned and relieved from the bank w.e.f. 13.02.2019.

COMPOSITION OF THE BOARD AS ON 31.03.2019

SR. NO.	Name	Designation	Date
1	Ms. Rupali Kalita	Managing Director & Chief Executive Director	17-10.2017 [As per the RBI Approval]
2	Ms. Sutapa Banerjee*	Independent Director	30-06-2017
3	Mr. Gautam Barua	Independent Director	30-06-2017
4	Mr. Bhaskar Jyoti Sarma	Independent Director	24-08-2018
5	Mr. Ranjit Goswami	Independent Director	25-07-2016
6	Mr. Deep Chandra Joshi	Independent Director	25-07-2016
7	Mr. Njord Andrewes	Promoter Director	30-06-2017
8	Mr. Robert Douglas Dunn	Promoter Director	30-06-2017
9	Mr. Manish Purshottam Thakkar	Promoter Director	24-08-2018

*Resigned and relieved w.e.f 30.05.2019

DETAILS OF KEY MANAGERIAL PERSON U/S 203 OF COMPANIES ACT 2013 AS ON 31.03.2019

SR. NO	Name	Designation	Date
1	Ms. Rupali Kalita	Managing Director & Chief Executive Officer	17/10/2017
2	Mr. Mukesh Singh Verma	Company Secretary & Chief Compliance Officer	17/10/2017
3	Mr. Nipun Bhatia *	Chief Financial Officer	24/08/2019

*Resigned and relieved from the bank w.e.f. 13.02.2019. Mr. Akshay Umesh Mehta has been appointed as Acting Chief Financial Officer (ACFO) in the Board Meeting dated May 29, 2019.

15. NUMBER OF BOARD MEETINGS

During the Financial Year 2018-19, Seven (7) meetings of the Board of Directors of the Company were held i.e on 25.05.2018, 30.05.2018, 18.06.2018, 24.08.2018, 24.09.2018, 13.11.2018, 13.02.2019.

The details of Attendance of each Director at the Board Meeting for the FY 2018-19 are as follows:

Sl.No.	Name	Total meetings to be attended	Date of Meetings attended		Meetings attended
1	Mr. Deep Chandra Joshi	7	25.05.2018 30.05.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	6
2	Mr. Ranjit Goswami	7	25.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	6
3	Ms. Rupali Kalita	7	25.05.2018 30.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	7
4	Mr. Gautam Barua	7	25.05.2018 30.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	7
5	Ms. Sutapa Banerjee	7	25.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	6
6	Mr. Njord Andrewes	7	25.05.2018 30.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	5
7	Mr. Robert Douglas Dunn	7	25.05.2018 30.05.2018 18.06.2018 24.08.2018	24.09.2018 13.11.2018 13.02.2019	6
8	Mr. Bhaskar Jyoti Sarma	3	24.09.2018 13.11.2018 13.02.2019		3
9	Mr. Manish Purshottam Thakkar	3	24.09.2018 13.11.2018 13.02.2019		3

16. **ANNUAL GENERAL MEETING**

The Company's 2nd Annual General Meeting was held on 25th September 2018 in Guwahati.

17. **PARTICULARS OF LOAN, GUARANTEE & INVESTMENT U/S SECTION 186 OF COMPANIES ACT 2013**

There are no loans, guarantee & investment u/s section 186 of Company Act 2013 during the year.

18. **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

There is no related party transaction to be reported during the year.

19. **CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company is taking proper steps at every level of operation for conservation of Energy. There is no technology absorption and total Foreign Exchange outgo during the year ending on 31st March 2019 was Nil.

20. **SECRETARIAL AUDITOR**

The Secretarial Audit was carried out by M/s. Narayan Sharma & Associates, Company Secretaries for the financial year 2018-2019. The Report given by the Secretarial Auditor is annexed as Annexure – 1 and forms integral part of this Report. Secretarial Audit Report has no qualification however some observations are there for which Board shall take the appointment of Mr. Ranjit Goswami & Mr. Deep Chandra Joshi in the Board as Independent directors followed by Shareholders approval.

21. **PARTICULARS OF EMPLOYEES: -**

The Company did not employ any such person whose particulars are required to be given under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014.

22. **DETAILS OF DIRECTORS RETIRING BY ROTATION IN THE ENSUING ANNUAL GENERAL MEETING**

Pursuant to the provisions of Section 152 of the Companies Act 2013, Mr. Robert Dunn retires by rotation at this Annual General meeting and being eligible offers himself for re-appointment as a Director. The Board recommends the re-appointment in the best interest of the Company.

23. **DIRECTOR'S RESPONSIBILITY STATEMENT**

As required under Section 134 of the Companies Act 2013, the Directors hereby confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as the end of the financial year and of the profit or loss of the Company for that period.
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the Directors have prepared the annual accounts on a going concern basis.
- e) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws. Barring a few exceptions on internal control mentioned by the auditors in their financial statement, all systems were adequate and operating effectively.

The Board is striving towards effective compliance and follows up on a regular basis to ensure a robust internal control and Compliance Culture.

24. **POLICY ON SEXUAL HARASSMENT**

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under. No incident of sexual harassment case was reported in FY 2018-19.

25. **WHISTLE BLOWER POLICY (VIGIL MECHANISM)**

The Bank, as a part of prudent practice, established Vigilance Department to develop and execute a comprehensive strategy to deal with instances of fraud and mismanagement, if any, and for a holistic and smooth operations of the Bank. The department is fully functional and conducts investigation arising out of fraud and whistle blower complaints in a fair manner.

26. **DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL**

The Company has been granted Small Finance banking entity license under Section 22(1) of the Banking Regulation Act, 1949 dated 31st March 2017 to carry on small finance banking business. Company has commenced its Banking Operations on October 17, 2017 after complying the RBI Stipulations.

27. **STATEMENT IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROL WITH REFERENCE TO THE FINANCIAL STATEMENTS**

The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

28. **RISK MANAGEMENT:**

The Head office has a Risk Management Department with risk professionals to address key risk areas like credit, market, liquidity, interest rate, ALM, operational risk and information security risk. The department works on identification, measurement, monitoring and management of risk under guidance of Chief Risk Officer. The Bank has a Management level Risk Management Committee to address Credit and Operational Risk, ALCO for liquidity and market risk. Board level oversight on the Risk is through approving the Policies, Risk limits, Risk tolerances, Reviews and Reporting structure.

RMD focuses on following key risks:

Credit Risk

- Creating a robust policy in order to identify the inherent credit risk across all products
- Building risk culture and inculcating risk sensitive decision making across the Bank
- Vetting of the credit products during introduction and modification stages to assess the implied credit risk concerns and suggest mitigates
- Measure the risk identified as per the policy and conduct Risk Management Committee on a periodic basis to address the Credit risk
- Maintaining capital for credit risk as per regulatory and Basel guidelines

Market Risk [Liquidity and Interest Rate Risk]

- To establish comprehensive risk management policy to identify, measure, and manage liquidity and interest rate risk.
- To identify the ALM risks associated with the Bank's portfolio, develop appropriate risk measurement methodology for managing and mitigating the ALM Risk.
- Build scenarios and carry out stress testing on trading portfolio of the bank
- To conduct ALCO on monthly basis to appraise the management and the Board of Directors to enable for well-informed strategic decisions. ALCO directs the business units on all the ALM Risk exposures undertaken by the Bank and initiates action/strategy for managing the exposures.

Operational Risk & Information Security

- Creating a robust policy in order to identify the inherent Operational Risk across all products
- Measure, monitor and control operational risk inherent in all such products / activities / processes through self-assessment tool and Key Risk Indicators
- Identify the operational loss events and analyze the causative factors

- Develop and maintain a data bank of the operational loss and potential risk exposures
- Measure the risk identified as per the policy and conduct RMC on a periodic basis to address the Operational Risk [including IS and Cyber risk].

The Board regularly discusses the progress in implementation of a robust risk management structure and suggests improvements on an ongoing manner. These are also monitored via the ATRs presented from time to time.

29. **NOMINATION & REMUNERATION COMMITTEE**

Board of Directors in its 5th Board Meeting held on 12th April 2017 has constituted Nomination & Remuneration Committee and the principal responsibilities and functions of the Nomination Committee are as follows:

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

During the period under review, 4 (Four) meetings of the Nomination & Remuneration Committee were convened on 24.05.2018, 23.08.2018, 13.11.2018 and 12.02.2019. We provide hereunder details of the attendance of the Nomination & Remuneration Committee members at such meetings:

SN	Name	Total meetings to be attended	Date of meetings held	Meetings attended
1	Mr. Ranjit Goswami	4	24.05.2018 23.08.2018 13.11.2018 12.02.2019	4
2	Ms. Sutapa Banerjee	3	23.08.2018 13.11.2018 12.02.2019	3
3	Gautam Barua	2	24.05.2018 23.08.2018	2
4	Mr. Njord Andrewes	4	24.05.2018 23.08.2018 13.11.2018 12.02.2019	4
5	Mr. Bhaskar Jyoti Sarma	2	13.11.2018 12.02.2019	2
6	Mr. Manish Purshottam Thakkar	2	13.11.2018 12.02.2019	2

30. AUDIT COMMITTEE

The Board of Directors in its 5th Board Meeting held on 12th April 2017 has constituted Audit Committee and the principal responsibilities and functions of the Audit Committee are as follows:

1. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. Examination of the financial statement and the auditors' report thereon;
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters;

During the period under review, 6 (Six) meetings of the Audit Committee were convened on 24.05.2018, 30.05.2018, 18.06.2018, 23.08.2018, 12.11.2018 and 12.02.2019. We provide hereunder details of the attendance of the Audit Committee members at such meetings:

SN	Name	Total meetings to be attended	Date of Meetings held	Meetings attended
1	Mr. Ranjit Goswami	6	24.05.2018 17.06.2018 23.08.2018 12.11.2018 12.02.2019	5
2	Ms. Sutapa Banerjee	6	24.05.2018 17.06.2018 23.08.2018 12.11.2018 12.02.2019	5
3	Mr. Robert Dunn	6	24.05.2018 30.05.2018 18.06.2018 12.11.2018 12.02.2019	5
4	Mr. Bhaskar Jyoti Sarma	2	12.11.2018 12.02.2019	2
5	Mr. Deep Chandra Joshi	4	24.05.2018 30.05.2018 23.08.2018	3

31. CORPORATE GOVERNANCE

The Company's Philosophy

The Company is committed to achieve high standards of Corporate Governance and the Company's philosophy on Corporate Governance is aimed at supporting the top management to efficiently conduct its business operations and meet its obligations towards various stakeholders.

The Bank has Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (The CA 2013), the Banking Regulation Act, 1949 (the BR Act, 1949) and the Articles of Association of the Bank.

The Board consists of eminent persons with considerable professional expertise in Banking, Finance, Administration, HR, Technology, Strategy, Compliance, Audit, Risk and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation, monitoring Control framework and direction setting for the Bank, thus adding value to set a strong foundation enabling the overall growth objectives of the Bank.

The Board comprised of 9 (Nine) Directors consisting of 5(Five) Independent Directors, therefore maintaining the majority of directors as independent at all time as per the RBI stipulation.

Know Your Customer (KYC) / Anti-Money Laundering (AML)

The bank has a robust system for scrutinizing the KYC of the customers being done by Central Processing Center (CPC) while onboarding to the bank. The Bank has a transaction monitoring process with automated system solution closely monitored by the AML unit of the Compliance Department. Bank's employees are imparted training on KYC / AML aspects on a regular basis. Compliance Team is regularly filing the prescribed reports & returns to FIU-IND.

Bank has appointed Ms. Rupali Kalita, MD & CEO as "Designated Director" and Mr. Mukesh Singh Verma, CS & CCO as "Principle Officer" vide its Board Meeting dated January 18, 2018, who shall be responsible for ensuring compliance of PMLA rules & acts, monitoring transaction, and sharing and reporting information as required under the law/regulations to FIU-IND as prescribed. Board has also recognized "Senior Management" for the purpose of KYC Compliance.

32. BOARD EVALUATION

The Independent Directors of the Company are mandated to carry out an annual performance evaluation of the performance of the entire Board, performance of the Chairman, the Directors individually as well as the evaluation of the working of its Committees. The Evaluation will be done and completed in the current financial year.

33. A STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

The Company has received declaration from all the Independent Directors in pursuant to sub-section (6) of Section 149 of the Companies Act, 2013. Therefore, Independent directors are satisfying the laid down conditions.

34. CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors in its meeting held on January 18, 2018 had approved the CSR Policy of the Bank. In accordance with the CSR policy of the Bank and as per the approval of the CSR Committee, the CSR activities that were undertaken by the Bank are general Health Camps, Veterinary Camps, Eye check- up camps, supporting cataract surgeries, Financial Literacy Trainings, Women leadership trainings, Awareness programme on women rights and legal issues. The Non-Financial Services are categorized into Enterprise Services, Education Services, Health Services and Women's Empowerment Services.

The CSR activities that have been undertaken in recent few years have primarily focused in the Health Sector. In the last FY 2018-19, the total number of Health Service camps covering both Eye and General Health Camp's stands at 64 and out of which more than 81% of the camps were conducted in Guwahati, Baihata, Bongaigaon and Nagaon Zone. The upper Assam Zone Dibrugarh, Jorhat and Lakhimpur have the least number of camps conducted.

35. Other Statutory Disclosures:

- The Bank has not changed its nature of business during FY2019.
- Pursuant to Section 186(1) of the Companies Act 2013, loans made, guarantees given or securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from disclosure in the Annual Report.
- All related party transactions that were entered into during FY2019 were on an arm's length basis, and were in the ordinary course of business. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Bank at large. The Bank has a Related Party Transactions Policy in place for the purpose of identification and monitoring of any potential related party transactions.

- There were no significant / material orders passed by the Regulators / a Court / Tribunal etc. during FY2019, which would impact the going concern status of the Bank and its future operations.
- The Bank is the subsidiary company of RGVN (North East) Microfinance Limited.
- All recommendations of the Audit Committee were approved by the Board.
- Proper internal financial controls are in place barring the exceptions noted in this report.
- Bank has achieved the scheduled status as on July 01, 2019 vide RBI notification no.DBR.NBD. No.31/16.02.010/2019-20.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to the Central and State Governments, Reserve Bank of India, Ministry of Corporate Affairs, SEBI and all other Regulatory Authorities, employees of the Bank, and all stakeholders of the Bank for their continuous support and contribution to the Bank. Your Board of Directors would also like to place on record, sincere gratitude towards customers for posing their continuous faith on us. Directors would also like to thank our associates and other partners of the Bank for their assistance and co-operation extended along with the employees of the Bank. The Directors also express their gratitude to the Shareholders for extending their support.

For and on behalf of the Board of Directors,

Sd/-

RUPALI KALITA
Managing Director & CEO
(DIN No: 02114098)

Sd/-

Bhaskar Jyoti Sarma
Part time Chairman
(DIN No: 05282550)

Place: Guwahati
Date: 23.08.2019



Annexure 1

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
North East Small Finance Bank Limited
1st and 3rd Floor,
Fortune Central, Basistha Road,
Basisthapur Bye Lane No. 3,
Beltola, Guwahati -28 Assam

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by North East Small Finance Bank Limited(hereinafter called the company) ("Bank"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31 March 2019 ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2019 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
 - (b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the company was under an obligation to get itself listed on any recognized stock exchange after acquiring the listed NCDs' from its holding company. However, before getting itself listed, all the listed NCD's transferred from its holding company were repaid by the company. Accordingly, the provisions of the SEBI (LODR) Regulations, 2015 are not applicable to the company after such repayment).

6. The following industry specific laws and rules, regulations, directions, guidelines, circulars and instructions framed there under:
 - (a) Reserve Bank of India, 1934,
 - (b) The Banking Regulations Act, 1949
 - (c) Master circulars, directions, guidelines issued to Small Finance Banks by the Reserve Bank of India from time to time.
7. Other laws, including Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.
8. I have also examined compliance with the applicable clauses of the following:
 - (a) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board & General Meetings.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

During the FY 2018-19, Bank has disclosed composition of 9 Directors in the Board to the RBI, out of which 5 are designated as Independent directors i.e. Mr. Deep Chandra Joshi, Mr. Ranjit Goswami, Mr. Gautam Barua, Ms. Sutapa Banerjee and Mr. Bhaskar Jyoti Sarma.

RBI has, vide its letter dated DBR.Appt.No.1269/29.44.008/2017-18 dated August 07, 2017 allowed the continuation of Mr. Deep Chandra Joshi as Independent Director in the Board of the Bank for four years w.e.f October 17, 2016 which required necessary Compliance under the Companies Act.

Similarly, the change of status to Mr. Ranjit Goswami to Independent Director required necessary Compliance under the Companies Act

UNDER SEBI (LODR) REGULATIONS, 2015:

After the execution of Business Transfer Agreement on 16th October 2017 with its holding company viz. RGVN (North East) Microfinance Limited and after the assumption of all the rights and liabilities relating to listed NCDs, the company was under an obligation to get itself listed on any recognized stock exchange. However before getting itself listed, all the listed NCD's transferred from its holding company were repaid by the company. Accordingly, the provisions of the SEBI(LODR) Regulations, 2015 are not applicable to the company after such repayment.

I further report that:

The Board of Directors of the Company is duly constituted under the Companies Act with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings as represented by the management were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period no specific events occurred having a major bearing on the company's affairs.

Place: Guwahati
Date: 14th Aug, 2019

For Narayan Sharma & Associates
Company Secretaries

Sd/-
Narayan Sharma
(Proprietor)
FCS No.5117 C P No.:3844

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.



‘Annexure A’

To,
The Members,
North East Small Finance Bank Limited
1st and 3rd Floor,
Fortune Central, Basistha Road,
Basisthapur Bye Lane No. 3,
Beltola, Guwahati -28 Assam

Our report of even date is to be read along with this letter.

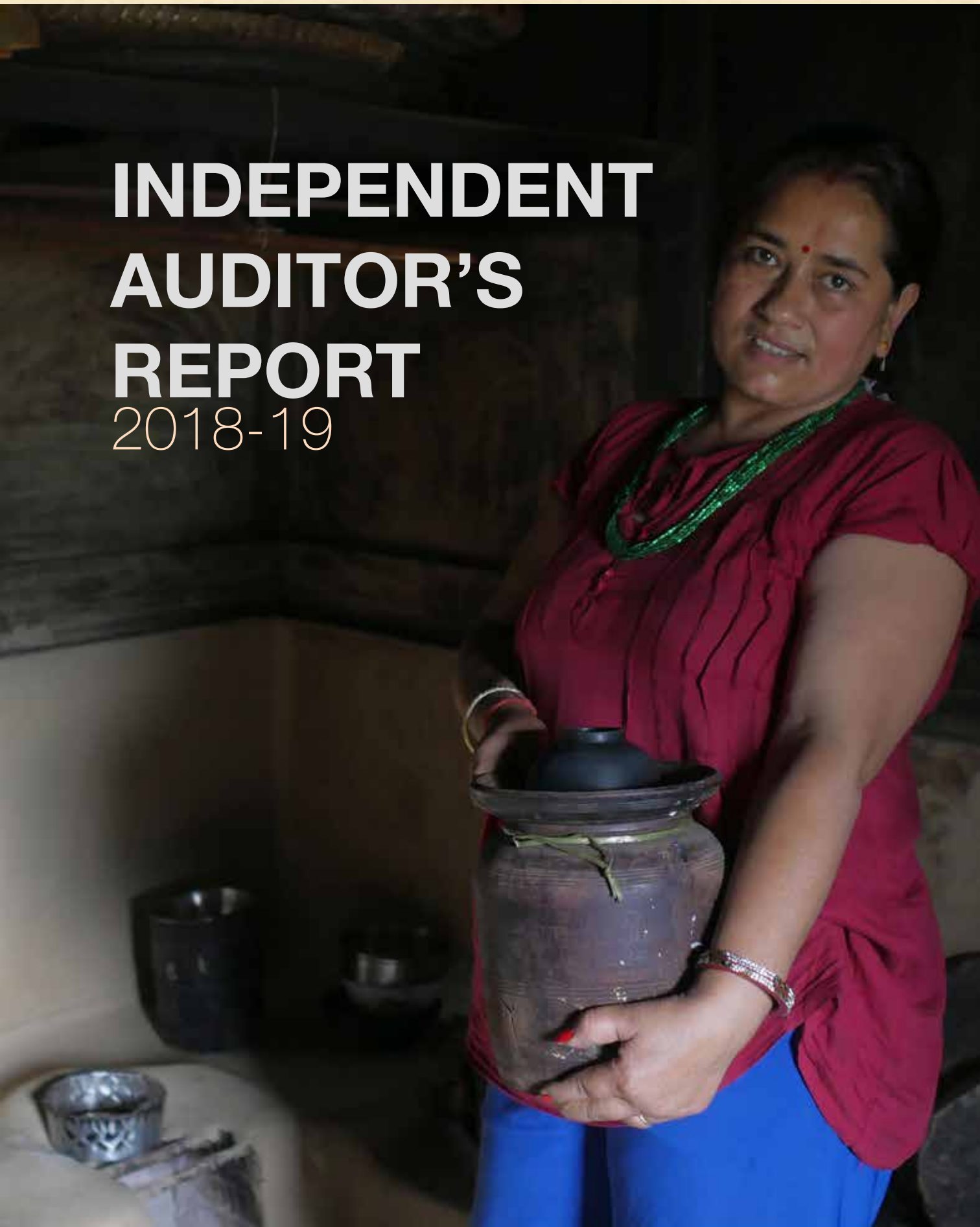
1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness 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 process 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. Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
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 procedure 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.

Place: Guwahati
Date: 14th Aug, 2019

For Narayan Sharma & Associates
Company Secretaries

Sd/-
Narayan Sharma
(Proprietor)
FCS No.5117 C P No.:3844

INDEPENDENT AUDITOR'S REPORT 2018-19





INDEPENDENT AUDITORS' REPORT

To the Members of North East Small Finance Bank Limited Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of North East Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, Profit and Loss Account and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") as well as provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for Banking Company 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, 2019, its profit and its cash flows for the year ended on that date.

Basis for Qualified Opinion

1. During the year, the Bank migrated from old system to Core Banking System (CBS) for 149 branches at different dates. Further, we observed that the calculation of 'Days Past Due' was not accurate for existing loans in CBS post migration. This has led to incorrect classification of advances by the CBS. Consequently, the Non Performing Asset calculation was done manually by the Bank. In view of this we cannot comment on classification of advances, adequacy of provision and its consequential impact arising thereof for recognition of interest income on Non Performing Assets.
2. During the performance of audit of internal financial controls with respect to financial statements for the year ended March 31, 2019, we have come across certain material weaknesses in the design and operating effectiveness of both manual and automated controls, which need to be strengthened to ensure appropriate financial reporting.

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 ("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 ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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 Director's report but does not include the standalone financial statements and our auditors' report thereon. The Director's 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 do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of 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 and guidelines issued by the Reserve Bank of India from time to time applicable to banks. 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 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.

We give in "Annexure A" a detailed description of Auditors' responsibilities for Audit of the Financial Statements.

Report on Other Legal and Regulatory Requirements

1. This Report does not include a statement on the matters specified in paragraph 3 and 4 of the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of Section 143 of the Act, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Bank.
2. As required by Section 30 of the Banking Regulation Act, 1949 and 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 and we 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. During the course of our audit we have visited 6 branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. 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;
 - d. 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 except for the effects of the matter described in Basis for Qualified Opinion section above.
 - e. The Balance Sheet, Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - f. Except for the effects of the matter described in Basis for Qualified Opinion section above, 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.

- g. The matter described in Basis of Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Bank.
- h. On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- i. 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 B”.
- j. 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 information and according to the explanations given to us:
 - a) The Bank does not have any pending litigations which would impact its financial position.
 - b) The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

3. With respect to the matter to be included in the Auditors’ Report under Section 197(16):

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.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812
UDIN No. 19117812AAAAFM3645

Guwahati
July 05,2019

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF NORTH EAST SMALL FINANCE BANK LIMITED.***Auditor's Responsibilities for the Audit of the 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812
UDIN No. 19117812AAAAFM3645

Guwahati
July 05,2019

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF NORTH EAST SMALL FINANCE BANK LIMITED.

[Referred to in paragraph (2i) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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 North East Small Finance Bank Limited ("the Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company 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 Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of 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 Company's internal financial controls with reference to financial statements based on our audit conducted in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls.

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls with reference to financial statements of the Company.

Meaning of Internal Financial Controls with reference to Financial Statements

A Company'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 Company'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 company; (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 company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Disclaimer of Opinion

We observed the following material weakness with respect to internal control over financial reporting during the year;

- a. Ineffective information technology general controls;
- b. Migration of incorrect balances from old system to Core Banking System which was rectified post year end;
- c. Absence of monthly preparation of bank reconciliation statements which was rectified post year end; and
- d. Incorrect classification of non performing asset by the core banking system for existing loans

In view of the above, the system of internal financial controls with reference to financial statements with regard to the Company were not made available to us to enable us to determine if the Company has established internal financial control with reference to financial statements and whether such internal financial controls were operating effectively as at March 31, 2019.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer has affected our opinion on the financial statements of the Company and we have issued a qualified opinion on the financial statements.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812
UDIN No. 19117812AAAAFM3645

Guwahati
July 05, 2019

STATEMENT OF FINANCIAL POSITION

NORTH EAST SMALL FINANCE BANK LIMITED BALANCE SHEET AS AT MARCH 31, 2019

BALANCE SHEET AS AT MARCH 31, 2019			
PARTICULARS	Schedule No.	As at March 31, 2019	₹ in '000 As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	2,933,850	2,933,850
Reserves and Surplus	2	592,961	223,553
Deposits	3	2,673,733	1,253,105
Borrowings	4	11,009,875	10,814,034
Other Liabilities and Provisions	5	488,759	284,684
TOTAL		17,699,178	15,509,226
ASSETS			
Cash and Balance with Reserve Bank of India	6	724,558	298,933
Balance with Banks and Money at call & short notice	7	815,617	2,263,285
Investments	8	1,653,053	1,691,024
Advances	9	13,839,737	10,823,985
Fixed Assets	10	235,635	166,705
Other Assets	11	430,578	265,294
TOTAL		17,699,178	15,509,226
Contingent Liabilities	12	-	19,769
Bills for Collection		-	-
Significant Accounting Policies and notes to the financial	17 & 18		

Significant Accounting Policies and notes to the financial

17 & 18

statements

Schedules referred to above form an integral part of the Balance Sheet

The Balance Sheet has been prepared in conformity with the Form A of the Third Schedule to the Banking Regulation

Act, 1949

As per our report of even date

For **MSKA & Associates**

Chartered Accountants

Firm Registration Number :

105047W

For and on behalf of the Board of Directors

Sd/-

Bhaskar Jyoti Sarma

Chairman

DIN : 05282550

Sd/-

Ranjit Goswami

Independent Director

DIN : 07368429

Sd/-

Swapnil Kale

Partner

Membership No - 117812

Sd/-

Akshay Mehta

Chief Financial Officer

Sd/-

Rupali Kalita

Managing Director & CEO

DIN : 02114098

Sd/-

Mukesh Singh Verma

Company Secretary & CCO

M.No - FCS 6936

Guwahati

July 5, 2019

NORTH EAST SMALL FINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31,
2019

₹ in '000

PARTICULARS	Schedule No.	For the year ended March 31, 2019	For the year ended March 31, 2018
I. INCOME			
Interest Earned	13	2,744,210	963,163
Other Income	14	126,809	81,636
TOTAL		2,871,019	1,044,799
II. EXPENDITURE			
Interest Expended	15	1,253,317	521,757
Operating Expenses	16	978,357	280,642
Provisions and Contingencies		269,937	19,073
TOTAL		2,501,611	821,472
III. PROFIT			
Net Profit After Tax		369,408	223,327
Add; Balance in Profit & Loss Account Brought Forward from Previous Year		167,676	181
TOTAL		537,084	223,508
IV. APPROPRIATIONS			
		92,352	55,832
Transfer to Statutory Reserve		28,219	
Transfer to Investment Fluctuation Reserve		416,513	167,676
Balance Carried to Balance Sheet		537,084	223,508
TOTAL			
Earnings Per Share (Face value per share ₹10 each)		1.26	1.15
Basic		1.26	1.15
Diluted	17 & 18		

Significant Accounting Policies and notes to the financial statements

Schedules referred to above form an integral part of the Profit and Loss Account

The Profit and Loss Account has been prepared in conformity with the Form B of the Third Schedule to the Banking Regulation Act, 1949

As per our report of even date attached

For **MSKA & Associates**

Chartered Accountants

Firm Registration Number : 105047W

For and on behalf of the Board of Directors

Sd/-

Bhaskar Jyoti Sarma

Chairman

DIN : 05282550

Sd/-

Ranjit Goswami

Independent Director

DIN : 07368429

Sd/-

Swapnil Kale

Partner

Membership No - 117812

Sd/-

Akshay Mehta

Chief Financial Officer

Sd/-

Rupali Kalita

Managing Director & CEO

DIN : 02114098

Sd/-

Mukesh Singh Verma

Company Secretary & CCO

M.No - FCS 6936

Sd/-

Guwahati

July 5, 2019

NORTH EAST SMALL FINANCE BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	552,052	246,857
Adjustment For:		
Contingent Provisions against Standard Assets	12,741	12,706
General Provision against advances	-	2,893
Provision against Non Performing Assets written back	-	(20,056)
Liabilities/provisions no longer required written back	-	(9,024)
Depreciation	46,492	13,642
Profit on sale of Fixed Assets	-	(119)
Fixed Assets Written off	-	3,491
Provision others	22,000	-
Provision for Non Performing Assets	52,552	-
Operating Profit before Working Capital Changes	685,837	250,390
Adjustments for:		
Increase in Current Assets	(107,412)	(184,516)
Increase in Current Liabilities	217,792	103,745
Increase in Advances	(3,068,305)	(10,803,928)
Decrease/(Increase) in Investments	148,756	(1,970,899)
Increase in Deposits	1,420,627	1,253,105
Cash used in Operations:	(1,388,541)	(11,602,493)
Taxes Paid	(288,973)	(30,596)
Net Cash Flow from Operating Activities	(A) (991,677)	(11,382,699)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (including WIP) Proceeds from sale of fixed assets	(115,422)	(184,169)
	-	450
Net Cash Flow from Investing Activities	(B) (115,422)	(183,719)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	-	1,830,000
Proceeds from Borrowings	195,841	10,914,912
Net Cash Flow from Financing Activities	(C) 195,841	12,744,912
Net Increase in Cash or Cash Equivalents (A+B+C)	(911,258)	1,178,494
Opening Cash and Cash Equivalents	2,282,343	1,103,849
Cash and Cash Equivalents at the end of the year	1,371,085	2,282,343
Break up cash and cash equivalent		
Cash and Balance with RBI	724,558	298,933
Balance in current account with other banks	376,526	323,410
Deposits	20,001	1,660,000
Money at call and short notice	250,000	-
Total Cash and cash equivalent	1,371,085	2,282,343

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.

. Previous year figures include assets/liabilities acquired on account of Business transfer agreement entered with RGVN Microfinance Limited dated October 16, 2017. The consideration for the same has been discharged by issue of equity shares which is a non-cash transaction.

. Figures in bracket indicate cash outflow.

As per our report of even date attached

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

For and on behalf of the Board of Directors

Sd/-

Rupali Kalita

DIN : 02114098 Managing
Director & CEO

Sd/-

Ranjit Goswami

DIN : 07368429
Independent Director

Sd/-

Swapnil Kale

Partner

Membership No. 117812

Sd/-

Akshay Mehta

Chief Financial Officer

Sd/-

Bhaskar Jyoti Sarma

Chairman
DIN : 05282550

Sd/-

Mukesh Singh Verma

M.No - FCS 6936
Company Secretary & CCO

Guwahati

July 5, 2019

Guwahati

July 5, 2019

NORTH EAST SMALL FINANCE BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

PARTICULARS	As at March 31, 2019	As at Th March 31, 2018
SCHEDULE 1 - Share Capital		
Authorised Share Capital:		
Equity Share Capital 500,000,000 Shares of Rs.10 each	5,000,000	5,000,000
Issued, Subscribed and Paid up Capital		
Equity Share Capital 293,384,995 Shares of Rs.10 each	2,933,850	2,933,850
Total	2,933,850	2,933,850
SCHEDULE 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	55,877	45
Additions during the year	92,352	55,832
Closing Balance	148,229	55,877
II. Investment Fluctuation		
Reserve Opening Balance	-	-
Additions during the year	28,219	-
Closing Balance	28,219	-
III. Balance in Profit and Loss Account	416,513	167,676
Total (I to III)	592,961	223,553
SCHEDULE 3 - Deposits		
I. Demand Deposits		
From Banks	-	-
From Others	34,306	-
II. Savings Bank Deposits	554,411	39,337
III. Term Deposits		
From Banks	202,185	577,861
From Others	1,882,831	635,907
Total (I to III)	2,673,733	1,253,105
I. Deposits of Branches in India	-	-
II. Deposits of Branches outside India	-	-
Total (I and II)	-	-
SCHEDULE 4 - Borrowings		
I. Borrowings in India		
Reserve Bank of India	-	-
Other Banks	668,924	2,828,083
Other Institutions and Agencies	9,360,951	6,180,018
Others (Non-Convertible Redeemable Debentures) (Refer note below)	980,000	1,805,933
Total	11,009,875	10,814,034
II. Borrowings outside India	-	-
Total (I and II)	11,009,875	10,814,034
Secured Borrowings included in I and II above	8,934,048	7,649,441
Note: During the current financial year Bank has repaid all the listed Non convertible redeemable debentures, accordingly Regulation 52 (1) of SEBI (LODR), regulations 2015 is not applicable to the Bank.		
SCHEDULE 5 - Other Liabilities and Provisions		
I. Bills Payable	-	-
II. Inter-Office Adjustments(net)	227,401	100,878
III. Interest Accrued	55,453	39,819
I . Provision for Standard Assets	205,905	143,987
Total (I to V)	488,759	284,684
Others (Including Provisions)		

NORTH EAST SMALL FINANCE BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	₹ in '000	
	As at March 31, 2019	As at Th March 31, 2018
SCHEDULE 6 - Cash and Balance with Reserve Bank of India		
I. Cash in hand	92,876	10,898
II. Balances with Reserve Bank of India		
In Current Accounts	631,682	288,035
In Other Accounts	-	-
Total (I and II)	724,558	298,933
SCHEDULE 7 : Balances with Banks and Money at Call and Short Notice I. In India		
i) Balances with banks		
In Current Accounts	376,526	323,410
In Other Deposit Accounts*	189,091	1,939,875
ii) Money at call and short notice		
With Banks	-	-
With other Institutions	250,000	-
Total (I)	815,617	2,263,285
* Include fixed deposit of ₹ 169,090 (Previous year ₹ 279,875) held under lien		
II. Outside India		
In Current Accounts	-	-
In other Deposit accounts	-	-
Money at call and short notice	-	-
Total (II)	-	-
Total (I and II)	815,617	2,263,285
SCHEDULE 8 - Investments		
I. Investments in India		
Government Securities	1,352,957	1,691,024
Other approved Securities	-	-
Shares	-	-
Debentures and Bonds	-	-
Subsidiaries and Associates	-	-
Others (Investment in Mutual Funds)	300,096	-
Total (I)	1,653,053	1,691,024
II. Investments Outside India		
Government Securities	-	-
Subsidiaries and/or Joint Ventures abroad	-	-
Other Investments	-	-
Total (II)	-	-
Total (I and II)	1,653,053	1,691,024
Gross Investments	1,653,053	1,691,024
Less : Depreciation/Provision for Investments	-	-
Net Investments	1,653,053	1,691,024

NORTH EAST SMALL FINANCE BANK LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	₹ in '000	
	As at March 31, 2019	As at Th March 31, 2018
SCHEDULE 9 - Advances		
A. i) Bills Purchased and Discounted	-	-
Cash Credits, Overdrafts and Loans repayable on demand	21,252	-
Term Loans	13,818,485	10,823,985
Total	13,839,737	10,823,985
i) Secured by Tangible Assets	-	-
Covered by Banks/Government Guarantees	-	-
Unsecured	-	-
Total	-	-
I. Advances in India		
Priority Sectors	13,893,903	10,806,646
Public	-	-
Sectors	-	-
Banks	(54,166)	17,339
Others	-	-
Total	13,839,737	10,823,985
II. Advances outside India		
Due from Banks	-	-
Due from Others	-	-
Bills Purchased and Discounted	-	-
Syndicated Loans	-	-
Others	-	-
Total C (I and II)	-	-
SCHEDULE 10 - Fixed Assets		
I. Owned Assets		
Premises	-	-
Other Fixed Assets (Including Furnitures and Fixtures)		
At the beginning of the year	178,028	-
Additions during the year	117,740	178,028
Deductions during the year	-	-
Total	295,768	178,028
Depreciation		
At the beginning of the year	13,641	-
Charge for the year	46,492	13,641
Deductions during the year	-	-
Total	60,133	13,641
Net Block	235,635	164,387
II. Capital Work in Progress	-	2,318
Total (I and II)	235,635	166,705
SCHEDULE 11 - Other Assets		
Inter-office adjustments(net)	-	-
Interest Accrued	6,504	96,174
Tax paid in advance/tax deducted at source (net of provision for tax)	51,415	-
Stationery and Stamps	-	-
Non -banking assets acquired in satisfaction of claims	-	-
Others (including Deferred Tax Assets)	372,659	169,120
Total	430,578	265,294
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims Against the Bank not Acknowledged as debts	-	19,76
II. Liability for partly paid investments	9 -	-
III. Liability on accounts of outstanding forward exchange and derivative contracts:	-	-
I. Guarantees Given on behalf of constituents	-	-
Acceptances, endorsements and other Obligations	-	-
Total	-	19,769

NORTH EAST SMALL FINANCE BANK LIMITED
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

PARTICULARS	₹ in '000	
	For the year ended March 31, 2019	For the year ended March 31, 2018
SCHEDULE 13 - Interest Earned		
I. Interest/Discount on Advances/Bills	2,544,708	807,651
II. Income on Investments	105,038	40,381
III. Interest on Balances with RBI and Other Inter-Bank Funds	94,464	115,131
I . Interest earned on Others		
	2,744,210	963,163
Total (I to IV)		
SCHEDULE 14 - Other Income		
I. Commission, Exchange & Brokerage	121,821	75,323
II. Profit on sale of Investments	606	9
III. Profit on sale of land, buildings and other assets	-	119
III. Miscellaneous Income	4,382	6,185
Total (I to III)	126,809	81,636
SCHEDULE 15 - Interest Expended		
I. Interest on Deposits	107,636	10,155
II. Interest on Reserve Bank of India / inter-bank borrowings	1,145,681	511,602
Total (I to II)	1,253,317	521,757
SCHEDULE 16 - Operating Expenses		
I. Payments and Provisions for Employees	517,137	159,156
II. Rent, Taxes and Lighting	72,999	45,690
III. Printing and Stationery	12,576	3,417
I . Advertisement and Publicity	19,687	4,385
. Depreciation on Bank's property	46,492	13,642
I. Director's Fees's, Allowances & Expenses	1,016	320
	5,860	1,685
II. Auditors fees and expenses	168	5,721
III. Law Charges	19,124	2,946
I . Postage, Telegrams, Telephones, etc.	17,003	5,691
. Repairs and Maintenance	7,852	687
I. Insurance	258,443	37,302
II. Other expenditure	978,357	280,642
Total (I to XII)		

NORTH EAST SMALL FINANCE BANK LIMITED

Schedule 17- Significant Accounting Policies**1. Background**

North East Small Finance Bank Limited (the "Bank") is a public limited Company incorporated on July 25, 2016 under the provisions of the Companies Act, 2013 having CIN- U65100AS2016PLC017505, received in principle approval from the Reserve Bank of India ("RBI") to establish a small finance bank in the private sector under section 22 of the Banking Regulation Act, 1949 on September 16, 2015. The bank received license from the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 with effect from March 31, 2017 and commenced its banking operations on October 17, 2017.

The Bank provides Retail banking services and wide range of financial services to economically poor in urban, semi-urban and rural areas. The Bank has its headquarter in Guwahati with nine zonal offices. The Bank operates in India concentrating in North East Region and West Bengal at present and does not have a branch in any foreign country.

2. Basis of Preparation

The financial statements have been prepared in accordance with the requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the Act") and the Companies (Accounting Standards) Amendment Rules 2016, in so far as they apply to banks and the guidelines issued by the RBI.

3. Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Future results could differ from actuals and the differences between the actual results and the estimates are recognized prospectively in which the results are known. Any revision to accounting estimates is recognized prospectively in current and future periods.

4. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Interest Income is recognized in the statement of profit and loss on accrual basis, except in the case of nonperforming assets. Interest on non-performing assets is recognized upon realization as per the prudential norms of the RBI.

Processing fees collected on loans disbursed, along with related loan acquisition cost are recognised upfront at Inception of loan.

Interest on Government securities, debentures and other fixed income securities is recognized on a period proportion basis. Income on discounted instruments is recognized over the tenor of the instrument on a constant Yield to Maturity method.

5. Investments

Classification and valuation of the Bank's investments are carried out in accordance with the RBI guidelines which are as follows:

Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

- i. Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity
- ii. Held for Trading (HFT) – Securities acquired with the intention to trade.
- iii. Available for Sale (AFS) – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines.

Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

Acquisition cost

- i. Broken period interest on debt instruments is treated as revenue item.
- ii. Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- iii. Cost of investments is computed based on the First in First Out basis.

Transfer Between Categories

Transfer between categories is done at the lower of the acquisition cost / book value / amortised cost / market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

NORTH EAST SMALL FINANCE BANK LIMITED

Schedule 17- Significant Accounting Policies

Valuation of Investments

- i. Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortized over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually
- ii. Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- iii. Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.
- iv. Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIM- MDA).
- v. Treasury bills are valued at carrying cost, which includes discount amortized over the period to maturity
- vi. Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.
- vii. Provision for non-performing investments is made in conformity with RBI guidelines.
- viii. In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.
- ix. Unquoted equity shares are valued at their break-up value which is ascertained from the company's latest balance sheet. In case the latest balance sheet is not available the shares are valued at ₹ 10 per share.

Disposal of Investment

Investments classified as HFT or AFS - Profit or loss on sale or redemption is recognised in the Profit and Loss Account.

Profit in respect of sale or redemption of investments from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account. Loss on sale or redemption is recognised in the Profit and Loss Account.

6. Loans/Advances and Provision thereon

Classification:

Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

Provision:

Specific loan loss provisions are made for NPAs based on management's judgment of the degree of impairment of the loan subject to the minimum requirements as per the extant guidelines prescribed by the RBI. The provisions towards Standard Assets is made as per the extant RBI notifications and shall not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions'.

Apart from the general provision made on standard assets as above, the Bank may also maintain additional general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified.

Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss Account.

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7. Fixed Assets (Tangible and Intangible)

7.1 Fixed assets are stated at cost, net of accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

7.2 Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such assets are considered to be impaired, the impairment is recognized by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. An Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An Impairment loss is reversed only to the extent that the asset carrying value does not exceed the carrying value that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

7.3 Capital work-in-progress includes costs incurred towards creation of fixed assets that are not ready for their intended use.

NORTH EAST SMALL FINANCE BANK LIMITED

Schedule 17- Significant Accounting Policies

8. Depreciation & Amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortized over the duration of the lease. The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each financial year and the amortization period is revised to reflect the changed pattern, if any.

The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office equipment	5
Motor Vehicle	8
Server	6
Software	3
Goodwill	5

9. Employee Benefits

Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity: The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognized in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Leave Encashment: Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method. Actuarial losses/ gains are recognized in the Profit and Loss Account in the year in which they arise.

10. Taxes

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

11. Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice (excluding fixed deposits with original maturity of more than three months)

12. Segment Reporting

In accordance with the guidelines issued by the RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2017 and accounting standard 17 (AS-17) on "Segment Reporting", the Bank's business has been segregated into Treasury and Retail banking segments, the Bank has adopted Segment Reporting as under:

Treasury includes all investment portfolios, Profit / Loss on sale of Investments, income from money market operations. The expenses of this segment consist of depreciation / amortization of premium on Held to Maturity category investments.

Retail Banking includes interest expenses on funds borrowed from external sources as well as internal sources, lending to and deposits from retail customers and identified earnings and expenses of the segment.

Unallocated includes Capital and Reserves and other un-allocable assets, liabilities, income and expenses.

NORTH EAST SMALL FINANCE BANK LIMITED

Schedule 17- Significant Accounting Policies

13. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. 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.

14. Provisions and contingent assets/liabilities

A provision is recognized when there is an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- i. a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- ii. a present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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. Contingent assets, if any, are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

15. Leases

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term.

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

16. Investment Fluctuation Reserve

In accordance with RBI Guidelines, banks are required to create an Investment Fluctuation Reserve (IFR) equivalent to 2% of HFT and AFS investment portfolio, within a period of three years starting from fiscal year 2019. Accordingly, during the year ended March 31, 2019 the bank has made an appropriation of INR 28,219,504, to the investment fluctuation reserve from the Profit and Loss account.

17. Statutory Reserve

The Bank has made an appropriation of 92,294 (previous year 55,832) out of profits for the year ended March 31, 2019 to the statutory reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

North East Small Finance Bank Limited

₹ in '000

Schedule 18 A- Notes to Financial Statement

1.1 Capital Infusion

During the period April 1, 2018 to March 31, 2019 there were no allotment of shares.

1.2 Capital Adequacy Ratio

The Bank computes its Capital Adequacy Ratio as per Capital Adequacy Framework- BASEL-II and Operating Guidelines for Small Finance Banks (issued by RBI on October 6, 2016)

Under Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 6, 2016, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the MTC, at least 7.5% shall be from Tier 1 Capital of which common equity Tier 1 capital shall be 6% and 1.50% from additional Tier 1 capital and remaining shall be from Tier 2 Capital. Further as per RBI's directions given in the circular DBR.NBD.No 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios. The capital adequacy ratio of the Bank is set out below:

Particulars	As at March 31, 2019	As at March 31, 2018
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	22.27%	21.45%
(ii) Additional Tier I Capital (%)	-	-
(iii) Tier II Capital (%)	0.55%	0.30%
(iv) Total CRAR %	22.82%	21.75%
(v) Percentage of the shareholding of the Government of India in Public Sector Banks	-	-
(vi) Amount raised by issue of Equity Shares	-	2,933,850
(vii) Amount of Additional Tier I capital raised of which - Perpetual Non Cumulative Preference Shares (PNCPS) - Perpetual debt instruments (PDI)	-	-
(viii) Amount of Tier II Capital raised of which Debt capital instruments	-	-
Preference share capital instruments	-	-

3. Investments

3.1 Details of Investments

Particulars	As at March 31, 2019	As at March 31, 2018
1. Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,653,053	1,691,024
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	1,653,053	1,691,024
(b) Outside India,	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening Balance	-	-
ii. Add: Provisions made during the period/on amalgamation	-	-
iii. Less: Write back of provisions made during the year	-	-
iv. Closing Balance	-	-

3.2 Category wise details of Investments (Net of provision for depreciation):

Particulars	As at March 31, 2019			As at March 31, 2018		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	242,128	1,110,829	-	-	1,691,024	-
ii) Other approved securities	-	-	-	-	-	-
iii) Shares	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-
v) Mutual Funds	-	300,096	-	-	-	-
vi) Subsidiaries and /or Joint ventures	-	-	-	-	-	-

3.3 Details of Repo/ Reverse Repo including Liquidity Adjustment Facility (LAF) transactions (in face value terms):

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the period	Outstanding as on March 31, 2019
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the period	Outstanding as on March 31, 2018
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-

North East Small Finance Bank Limited

₹ in '000

Schedule 18 A- Notes to Financial Statement
3.4 . Disclosure in respect of Non-SLR Investment Portfolio:
(i) Issuer Composition of Non SLR Investments :

Sl.No	Issuer	Amount	Extent of Private Placement	Extent of Below Investments	Extent of Unrated Securities	Extent of Unlisted Securities
1	Others	300,096	-	-	-	-

(ii) Non-performing Non-SLR investments:

The Bank does not have any non performing non-SLR Investments as on March 31, 2019 and March 31, 2018

3.5 During the period ended March 31, 2019 and March 31, 2018 there was no sale/transfer of securities to/from HTM category.

4. Derivatives

The Bank did not have any transactions in derivative instruments during the year ended March 31, 2019 and March 31, 2018

5. Credit Default Swaps:

The Bank has not entered into any credit default swap transactions during the year ended March 31, 2019 and March 31, 2018

6. Un-hedged foreign currency exposure

The Bank does not have any un-hedged foreign currency exposure as on March 31, 2019 and March 31, 2018

7. Asset Quality
7.1 Non- Performing Assets

Particulars	March 31, 2019	March 31, 2018
(i) Net NPAs to Net Advances (%)	0.32%	0.43%
Movement of Gross NPAs		
(a) Opening Balance	92,758	77,795
(b) Additions (Fresh NPAs) during the year	66,673	14,963
Sub-total (A)	159,431	92,758
(c) Reductions during the period:		
(i) Up-gradations	1,656	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	14,791	-
(iii) Technical/ Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)	16,447	-
Closing Balance (A-B)	142,984	92,758

Note: Additions and reductions does not include cases which have become NPA during the month and subsequently moved out of NPA in same month

Particulars	March 31, 2019	March 31, 2018
Movement of Net NPAs		
(a) Opening balance	46,464	11,885
(b) Additions during the period #	(2,328)	34,579
(c) Reductions during the year period #	-	-
(d) Closing balance	44,136	46,464
Movement of provision for NPAs (excluding provision for standard assets)		
(a) Opening balance as on March 31, 2018	46,295	65,910
(b) Provisions made during the period	52,553	-
(c) Write back of excess provisions	-	(19,615)
(d) Closing balance	98,848	46,295

Note: Additions and reductions does not include cases which have become NPA during the month and subsequently moved out of NPA in same month

8. Particulars of Accounts Restructured

The Bank does not have any restructured account as on and for the year ended March 31, 2019 and March 31, 2018

9. Details of Financial Assets sold to Securitization/Reconstruction Company for Asset Reconstruction

The Bank did not sell any financial assets to Securitization/Reconstruction for reconstruction during the year ended March 31, 2019 and March 31, 2018

10. Details of Non Performing Assets Purchased/Sold

The Bank did not sell/purchase any non financial asset during the year ended March 31, 2019 and March 31, 2018

11. Provision for standard assets

Bank has followed the prudential norms on income recognition, asset classification and provisions. No excess provision has been made during the year (Previous Year Rs. 2893)

The provision on standard assets is included in 'Other Liabilities and Provisions' of the Balance Sheet and is not netted off from Advances.

Particulars	March 31, 2019	March 31, 2018
The amount of provision held on standard assets	55,453	39,819

North East Small Finance Bank Limited

₹ in '000

Schedule 18 A- Notes to Financial Statement

12. Business Ratios

Particulars	March 31, 2019	March 31, 2018
Interest income as a percentage of working funds	16.98%	6.80%
Non interest income as a percentage of working funds	0.78%	0.58%
Operating profit as a percentage of working funds	3.96%	1.71%
Return on assets (average)	2.29%	1.58%
Business (deposit plus advance) per employee	10,227	10,667
Profit per employee	232	207

1. Working funds represents average of total assets as reported to RBI in form X under Section 27 of the Banking Regulation Act, 1949 during the year.

2. Returns on Assets are computed with reference to average working funds.

3. Business is defined as total of average of gross Advances and deposits (net of inter-bank deposits)

13. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2019:

S.no.	Maturity buckets	Loans & advances	Investments	Deposits	Borrowings
1	1 day	-	619,857	8,720	-
2	2 days to 7 days	231	10,046	19,576	-
3	8 days to 14 days	614	5,732	100,279	-
4	15 days to 30 days	1,591	77,897	217,007	-
5	31 days to 2 months	11,066	20,179	25,417	-
6	Over 2 months to 3 months	31,765	34,201	93,664	-
7	Over 3 to 6 months	298,362	52,537	97,439	643,617
8	Over 6 to 12 months	3,408,150	211,117	458,100	630,623
9	Over 1 year to 3 years	10,041,581	238,280	1,648,383	2,590,635
10	Over 3 years to 5 years	46,377	210,678	4,519	6,145,000
11	Over 5 years	-	172,527	628	1,000,000
		13,839,737	1,653,053	2,673,732	11,009,875

Maturity Pattern of certain items of assets and liabilities as at March 31, 2018:

S.no.	Maturity buckets	Loans & advances	Investments	Deposits	Borrowings
1	1 day	-	193,778	393	-
2	2 days to 7 days	1,147	-	2,452	-
3	8 days to 14 days	1,536	-	50,837	5,357
4	15 days to 30 days	8,478	10,916	57,007	-
5	31 days to 2 months	42,019	12,656	110,625	22,500
6	Over 2 months to 3 months	102,375	18,996	288,522	11,844
7	Over 3 to 6 months	347,654	101,478	510,097	186,574
8	Over 6 to 12 months	2,099,708	193,925	137,161	840,209
9	Over 1 year to 3 years	8,174,568	945,769	95,899	7,277,550
10	Over 3 years to 5 years	46,500	213,500	81	1,220,000
11	Over 5 years	-	6	31	1,250,000
		10,823,985	1,691,024	1,253,105	10,814,034

1. The maturity of 'Loans & Advances' has been determined on the basis of ultimate maturity date of the loans rather than on the basis of monthly installments due.

2. The bucketing is made as per the guidelines issued by Reserve Bank of India on the basis of initial data received by Asset Liability Management team from finance and accounts department, any adjustment/ revision in the figures is adjusted proportionately in all the buckets

3. The Bank has no foreign currency assets & liabilities as on March 31, 2019.

14. Exposure

Exposure to Real Estate Sector: The Bank does not have exposure to Real Estate Sector for year ended March 31, 2019 and March 31, 2018

Particulars	March 31, 2019	March 31, 2018
a) Direct exposure	-	-
i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	-	-
ii) Commercial Real Estate – Lending secured by mortgages on commercial real estate's (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures	-	-
- Residential	-	-
- Commercial Real Estate	-	-
Total (A)	-	-
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
Total (B)	-	-

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₹ in '000
Exposure to Capital Market

Particulars	March 31, 2019	March 31, 2018
i. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
ii. Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi. Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
xi. Others (Financial Guarantees)	-	-
Total Exposure to Capital Market	-	-

c) Risk category wise country exposure

Since the country exposure is nil, no provision is required to be maintained on country exposure for the year ended March 31, 2019 for the year ended and March 31, 2018

Risk Category	Exposure (net) as at 31 March, 2019	Provision held as at 31 March, 2018
Insignificant	-	-
Low	-	-
Moderate	-	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	-	-

d) Details of Single Borrower Limit (SBL)/ Group Borrower Limit

During the year ended March 31, 2019 and March 31, 2018 there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

e. Unsecured Advances

There are no unsecured advances for which intangible security such as charge over the rights, licenses; authority, etc. are accepted as collateral by the Bank during the year ended March 31, 2019 and March 31, 2018

15. Disclosure of penalties imposed by RBI

During the year ended March 31, 2019 and March 31, 2018, no penalty had been imposed by Reserve Bank of India.

16. Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

Particulars	March 31, 2019	March 31, 2018
Provision towards Non Performing Assets	52,552	(20,056)
Provision towards Standard Assets	12,741	12,706
General Provision against Advances	-	2,893
Provision made towards income tax	189,102	78,724
Deferred Tax asset	(6,457)	(55,194)
Provision for Risk, Insurance & Welfare	22,000	-
Total	269,938	19,073

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17. Drawdown from Reserves

The Bank has not drawdown from reserves during the year ended March 31, 2019 and March 31, 2018.

18. Disclosure of Complaints

a) Customer Complaints

Particulars	March 31, 2019	March 31, 2018
a) No. of complaints pending at the beginning of the year	-	-
b) No. of complaints received during the year	128	-
c) No. of complaints redressed during the year	128	-
d) No. of complaints pending at the end of the year	-	-

b) Awards passed by the Banking Ombudsman:

Particulars	March 31, 2019	March 31, 2018
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	-	-

a) Shareholder Complaints

Particulars	March 31, 2019	March 31, 2018
a) No. of complaints pending at the beginning of the year	-	-
b) No. of complaints received during the year	-	-
c) No. of complaints redressed during the year	-	-
d) No. of complaints pending at the end of the year	-	-

19. Disclosures of Letter of Comfort (LOC) issued by Bank

The Bank has not issued any Letter of Comfort during the year ended March 31, 2019 and March 31, 2018.

20 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) of the Bank is 69.13% as on March 31, 2019 (previous year 49.91%).

21. Bancassurance Business

The Bank has not commenced the Bancassurance Business as at 31st March 2019.

22. Concentration of deposits, advances, exposures and NPAs

a. Concentration of deposits:

Particulars	March 31, 2019	March 31, 2018
Total deposits of twenty largest depositors	994,339	1,191,904
Total Deposits	2,673,733	1,253,105
Percentage of deposits of twenty largest depositors to total deposits of the Bank	37%	95%

b. Concentration of Advances:

Particulars	March 31, 2019	March 31, 2018
Total advances to twenty largest customers	44,099	1,979
Total Advances	13,839,737	10,823,985
Percentage of Advances of twenty largest borrowers to total advances of the Bank	0.32%	0.02%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

c. Concentration of exposures:

Particulars	March 31, 2019	March 31, 2018
Total exposure to twenty largest borrowers/customers	44,099	1,979
Percentage of exposures of twenty largest customers to total exposure of the Bank on borrowers/ customers	0.42%	0.02%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015
Fixed Deposits, Balance in Current account and Call money have not been considered in computation of Exposures

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d. Concentration of NPA's:

Particulars	March 31, 2019	March 31, 2018
Total Exposure to top four NPA accounts	310	194

23. Divergence in Asset Classification and Provisioning for NPAs

As per the RBI notification RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2018 an additional disclosure by way of notes to accounts regarding divergence in the asset classification and provisioning needs to be provided. Pursuant to the notification divergences observed by RBI for the financial year 2015-16 shall be made in the Notes to Accounts of Financial Statements for the year ended March 31, 2019. During the financial year 2017-18, there are no divergences in the Asset classification and provisioning identified.

24. Sector-wise Advances

₹ in '000

Sector-wise Advances as at March 31, 2019:

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross
Priority Sector			
1. Agricultural and Allied Activities	4,886,906	22,410	0.46%
2. Advances to Industries Sector eligible as PSL	734,890	10,819	1.47%
3. Services	8,232,755	109,659	1.35%
4. Personal Loans and others	39,352	96	0.25%
Sub-Total (A)	13,893,903	142,984	1.03%
Non Priority Sector			
1. Agricultural and Allied Activities	1,983	-	-
2. Industry	-	-	-
3. Services	51,198	-	-
4. Personal loans and others	28,134	-	-
Sub-Total (B)	81,315	-	-
Total	13,975,218	142,984	1.02%

Sector-wise Advances as at March 31, 2018:

₹ in '000

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
Priority Sector			
1. Agricultural and Allied Activities	2,162,466	15,980	0.74%
2. Advances to Industries Sector eligible as PSL	7,265,491	68,305	0.94%
3. Services	1,273,243	7,737	0.61%
4. Personal Loans and others	151,740	736	0.49%
Sub-Total (A)	10,852,940	92,758	0.85%
Non Priority Sector			
1. Agricultural and Allied Activities	-	-	-
2. Industry	-	-	-
3. Services	-	-	-
4. Personal loans and others	17,339	-	-
Sub-Total (B)	17,339	-	-

The bank has compiled the data for the purpose of this disclosure from its financial accounting system which has been relied by the auditors.

25. Technical or Prudential Write Offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches.

26. Overseas Assets, NPAs and Revenue:

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable

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27. Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored which are required to be consolidated as per accounting norms.

28. Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the composition and mandate of the Remuneration Committee.

Bank has constituted a Nomination and Remuneration Committee (NRC). The NRC comprises of five members where three are independent Directors and two are Non Executive & Non Independent Director. Mandate of the Nomination and Remuneration Committee is to oversee the framing ,review and implementation of the Banks' Compensation policy & Nomination & Remuneration Policy for Whole Time Director/Chief Executive Officers/ Part-Time Chairman/ Risk Takers and control function staff for ensuring effective alignment between remuneration and risks .The Committee also ensures that level and composition of remuneration is reasonable and sufficient ,relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Nomination and Remuneration Committee reviews compensation policy & nomination & remuneration policy of the Bank with a view to attract, retain and motivate employees.

Mandate (Roles and Responsibilities) :

1. Develop policies and lay down criteria for appointment / removal /reappointment of the directors of the Board capturing the statutory and regulatory requirements.
2. Formulate comprehensive criteria for appointment of directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person.
3. Devise a policy on Board diversity of thought ,experience, knowledge , perspective and gender in the board.
4. Conduct appropriate due diligence and scrutinize the declaration made by probable candidate at the time of appointment / re-appointment of directors of the Board.
5. Ensure that appropriate procedures are in place to assess Board Membership needs and Board effectiveness.
6. Assist Board in formulation of compensation policy which will lay down the remuneration to directors , key management personnel and other employees and take inputs from the risk management committee of the board to ensure balance between remuneration and risks. The mix of cash , equity and other forms of compensation must be consistent with risk alignment
7. Ensure that the compensation policy formulate for remuneration of directors, key managerial personnel and senior management is reasonable sufficient to attract, retain and motivate quality directors required to run the Bank.

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

The objective of the compensation policy is to help employees understand our compensation philosophy and structure.

The organization will operate a Cost-to-Company (CTC) compensation structure which will comprise a Fixed Component and a Variable Component, the relative percentages of each will be decided by the Management Team and will be subject to revision from time to time.

The Management team has the discretion to revise the compensation & benefits structure and entitlements of the employees from time to time

Compensation is considered confidential and employees are expected to not share, discuss or disclose any information pertaining to the same.

The Bank's compensation principles are as follows:

1. The Bank's compensation programs are tied to both individual and company performance
2. The Bank is committed to fair and equitable pay
3. The Bank differentiates its pay based on individual roles, responsibilities, skill set and performance
4. The Bank's pay programs comply with all applicable laws, regulations and requirements

Compensation Structure :

Basic Salary:

At the time of appointment, each employee's salary would be determined on the basis of:

- Position and responsibilities
- Experience, training and education
- NESFB's current salary structure

Note: NESFB abides by rules and regulations set by each state with regard to the minimum wage levels for both skilled and unskilled labour.

The Tentative compensation structure followed by the company are as follows:

Category	Components	Description
Basic Pay (monthly)	Basic Pay	40% of the CTC
	House Rent Allowance	Maximum upto 40% of Basic Pay
	Conveyance Allowance	As applicable
	Telephone & Data Allowance	As applicable
	Special Allowance	This would be the adjusting component of CTC basis the compensation structure (Special allowances could additionally be a part of this component)
Retirement/Statutory Benefits	Provident Fund (PF) Gratuity Insurance	As mandated by Law Medical/Personal Accident/ Life Insurance
Ex-gratia	Bonus/ Variable Pay	Bonus-as mandated by law Variable pay as per limit specified per grade in alignment with variable pay grade

Additional Benefits

1. Leave travel Assistance (50,000 to band 3 to 6 and 25,000 for band 1 and 2) in a block of 4 years
2. Leave Encashment (Maximum 20 days, on basic salary in a block of 2 years)
3. All Benefits as prescribed under IT Act and amendments thereto

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

Bank has a robust Performance Management System (PMS) approved by the board and performance of the employees shall be rated at the year end and adequate system shall be built in to mitigate the risk arises during the performance cycle and evaluation system.

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Schedule 18 A- Notes to Financial Statement**D. Description of the ways in which the bank seeks to link performance during a performance measurement period.****Performance Management System Guidelines :**

The Performance Cycle will follow the Financial Year (April to March).

The performance management process for a given financial year will be applicable to all employees who have served for 6 months or more during the year. Employees joining the Company after 30th November will not be covered in the Performance Appraisal process for that Financial Year.

The responsibility for this process lies with the HR Function

The Function Heads are jointly responsible along with the HR Function for adherence to timeline and process guidelines.

The Performance Management System will cover the following areas:

- Goal Setting
- Mid-year Review
- Annual Appraisal
- Moderation of Ratings
- Communication of Ratings
- Performance Improvement Plan

The process will comprise setting individual performance goals aligned to business objectives and will result in review and rating of Individual Performance.

The performance ratings obtained will serve as the primary input for all variable pay plans, career management and training needs.

E. 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

Nil

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.

Nil

Quantitative Disclosure

Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	During the period April 1, 2018 to March 31, 2019, four remuneration Committee meetings were held. The members of the remuneration committee were paid aggregating sitting fees of
Number of employees having received a variable remuneration award during the year.	No employees belonging to the category of WTD / CEO / Risk Takers/Other Control function staff had received a variable
Number and total amount of sign-on awards made during the financial year.	Nil
Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
Details of severance pay, in addition to accrued benefits, if any	Nil
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
Total amount of deferred remuneration paid out in the financial year.	Nil
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil

Disclosure on remuneration to Independent Non- executive directors

The Independent Non-Executive Directors are paid Sitting Fees for attending meetings of the Board at the rate of Rs.20 thousand per Board meeting and at the rate of Rs.7.5 thousand per committee meeting respectively. An amount of Rs. 981 Thousand was paid as sitting fees to Independent Directors during the FY (18-19).Following is the sitting fees paid to the Independent directors

Name of Director	March 31, 2019	March 31, 2018
Deep Chandra Joshi	185	88
Ranjit Goswami	263	145
Gautam Barua	182	88
Sutapa Banerjee	209	-
Bhaskar Jyoti Sarma	142	-
Total	981	321

29. Disclosures relating Securitization

S.No	Particulars	March 31, 2019	March 31, 2018
1	No. Of SPV's Sponsored by the bank for securitization transaction	-	-
2	Total amount of Securitized assets as per books of the SPVs sponsored by the bank	-	-
3	Total amount of exposures retained by the bank to comply with MRR as on date of balance sheet	-	-
	a) Off Balance Sheet exposures		
	First Loss	-	-
	Others	-	-
	b) On Balance Sheet exposures		
	First Loss (Cash Collateral)	-	-
	Others (Credit Enhancement)	-	-
4	Amount of exposures to securitization transactions other than MRR as on the date of balance sheet		
	a) Off Balance Sheet exposures		
	Exposure to own Securitization		
	First Loss (Subordination of Interest Strip)	-	-
	Others	-	-
	Exposure to Third Party Securitization		
	First Loss	-	-
	Others	-	-
	b) On Balance Sheet Exposures		
	Exposure to own Securitization		
	First Loss	-	-
	Others	-	-
	Exposure to Third Party Securitization		
	First Loss	-	-
	Others	-	-

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30. Intra Group Exposures

Particulars	March 31, 2019	March 31, 2018
Total amount of intra- group exposure	-	-
Total amount of top-20 intra-group exposure	-	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/	-	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if Any	-	-

31. Transfer to Depositor Education and Awareness Fund (DEAF)

Particulars	March 31, 2019	March 31, 2018
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred during the period	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

32. Unhedged foreign currency exposure

The Bank does not have any unhedged foreign currency exposure for the year ended March 31, 2019 and March 31, 2018

33. Priority sector lending certificates

The Bank has sold the following scheme type-

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	PSLC Purchased	PSLC Sold	PSLC Purchased	PSLC Sold
PSLC Agriculture	-	500,000	-	-

34. Movement in provision for frauds included under other liabilities

Particulars	March 31, 2019	March 31, 2018
Opening provision	546	-
Provision during the year	2,267	546
Utilization / Write back of provision	-	-
Closing provision	2,813	546

Liquidity Coverage ratio

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio given in “Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards” and “Operating Guidelines for Small Finance Banks”.

LCR is the ratio of unencumbered HQLAs to Net Cash Outflows over the next 30 calendar days. LCR measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc. These stress conditions are captured as a part of the Net Cash Outflows. High Quality Liquid Assets (HQLA) of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines and cash balance with RBI in excess of statutory cash reserve requirements.

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LCR aims to ensure that the Bank has an adequate stock of unencumbered HQLA to meet its liquidity needs for a 30 calendar day liquidity stress scenario. As mentioned in the "Operating Guidelines for Small Finance Banks", the Bank has to maintain the prescribed level of LCR as follows:

Particulars	By December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)	-	1,427,809	-	1,365,280	-	1,752,928	-	1,605,754
Cash Outflows	-	-	-	-	-	-	-	-
2. Retail deposits and deposits from small business customers,	43,896	4,390	18,119	1,812	9,519	952	3,150	315
i) Stable deposits	-	-	-	-	-	-	-	-
ii) Less stable deposits	43,896	4,390	18,119	1,812	9,519	952	3,150	315
3. Unsecured wholesale funding, of which	276,486	27,649	146,356	14,636	142,279	14,228	301,208	30,121
i) Operational deposits (all counterparties)	276,486	27,649	146,356	14,636	142,279	14,228	301,208	30,121
ii) Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
iii) Unsecured debt	-	-	-	-	-	-	-	-
4. Secured Wholesale funding	-	11,479	-	125	-	8,518	-	12,374
5. Additional requirements, of which	-	-	-	-	-	-	-	-
i) Outflows related to derivative exposures and other collateral	-	-	-	-	-	-	-	-
ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	268,640	268,640	212,393	212,393	223,782	223,782	162,065	162,065
7. Other contingent funding obligations	-	-	-	-	-	-	-	-
8. Total Cash Outflows	-	312,157	-	228,966	-	247,479	-	204,875
Cash Inflows	-	-	-	-	-	-	-	-
9. Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10. Inflows from fully performing exposures	1,703	1,703	5,788	5,788	12,801	7,845	131,221	110,806
11. Other cash inflows	1,050,087	1,046,401	1,637,467	1,630,210	1,100,435	1,099,307	1,108,514	1,108,514
12. Total Cash Inflows	1,051,790	1,048,104	1,643,254	1,635,998	1,113,236	1,107,152	1,239,735	1,219,320
13. TOTAL HQLA	-	1,427,809	-	1,365,280	-	1,752,928	-	1,605,754
14. Total Net Cash Outflows	-	78,039	-	57,241	-	61,870	-	51,219
15. Liquidity Coverage Ratio (%)	-	1830%	-	2385%	-	2833%	-	3135%

	Quarter ended March 31, 2018		Quarter ended December 31, 2017	
	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)	-	1,596,305	-	1,120,148
Cash Outflows				
2. Retail deposits and deposits from small business customers,	2,343	234	629	63
i) Stable deposits	-	-	-	-
ii) Less stable deposits	2,343	234	629	63
3. Unsecured wholesale funding, of which	69,008			
i) Operational deposits (all counterparties)	69,008	6,901	-	-
ii) Non-operational deposits (all counterparties)	-	-	-	-
iii) Unsecured debt	-	-	-	-
4. Secured Wholesale funding	-	1,786	-	120,615
5. Additional requirements, of which	-	-	-	-
i) Outflows related to derivative exposures and other collateral	-	-	-	-
ii) Outflows related to loss of funding on debt products	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-
6. Other contractual funding obligations	269,118	269,118	343,539	343,539
7. Other contingent funding obligations	-	-	-	-
8. Total Cash Outflows	340,470	278,039	344,168	464,217
Cash Inflows				
9. Secured lending (e.g. reverse repos)	-	-	-	-
10. Inflows from fully performing exposures	210,342	105,171	252,905	126,453
11. Other cash inflows	678,158	678,158	2,094,539	2,094,539
12. Total Cash Inflows	888,500	783,329	2,347,444	2,220,992
13. TOTAL HQLA	-	1,596,305	-	1,120,148
14. Total Net Cash Outflows	-	69,510	-	116,054
15. Liquidity Coverage Ratio (%)	-	2297%	-	965%

As per requirement of RBI, LCR should be tracked on an ongoing basis and disclosure should be made in financial statements for each quarter on simple average basis of daily observations. However, the Bank is calculating LCR on monthly basis and accordingly disclosure has been made on simple average basis of month end.

In the previous year the Bank commenced operation from October 17, 2017 and hence LCR disclosure have been made for Quarter 3 & Quarter 4 for FY 2017-18

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Schedule 18 B- Notes to Financial Statement

Other Disclosures

1. Earnings per Share:

Particulars	March 31, 2019	March 31, 2018
Net profit after tax (₹)	369,407	223,327
Weighted average shares outstanding – Basic (Nos.)	293,385	193,612
Weighted average shares outstanding – Diluted (Nos.)	293,385	193,612
Nominal Value of Equity Shares (₹)	10	10
Earnings per share – Basic (₹)	1.26	1.15
Earnings per share – Diluted (₹)	1.26	1.15

2. Segment Reporting

As at March 31, 2019:

Particulars	Treasury	Retail Banking	Total
Segment Revenue	200,108	2,670,912	2,871,020
Un allocated Revenue	-	-	-
Less: Inter Segment Revenue	-	-	-
Total Revenue	200,108	2,670,912	2,871,020
Segment Expenses	5,464	2,229,744	2,235,208
Segment Results	194,643	441,168	635,812
Unallocated Expenses	-	-	83,758
Operating Profits	-	-	552,052
Provisions and Contingencies other than Tax Expenses	-	-	-
Tax Expenses (including deferred tax)	-	-	182,645
Extraordinary profit/loss	-	-	-
Net profit	-	-	369,407
Other Information:	-	-	-
Segment Assets	2,730,724	14,382,605	17,113,329
Unallocated Assets	-	-	585,849
Total Assets	2,730,724	14,382,605	17,699,178
Segment Liabilities	-	14,020,620	14,020,620
Unallocated Liabilities	-	-	3,678,558
Total Liabilities	-	14,020,620	17,699,178

As at March 31, 2018:

Particulars	Treasury	Retail Banking	Total
Segment Revenue	155,522	889,277	1,044,799
Un allocated Revenue	-	-	-
Less: Inter Segment Revenue	-	-	-
Total Revenue	155,522	889,277	1,044,799
Segment Expenses	2,889	761,797	764,686
Segment Results	152,633	127,480	280,113
Unallocated Expenses	-	-	33,256
Operating Profits	-	-	246,857
Provisions and Contingencies other than Tax Expenses	-	-	-
Tax Expenses (including deferred tax)	-	-	23,530
Extraordinary profit/loss	-	-	-
Net profit	-	-	223,327
Other Information:	-	-	-
Segment Assets	3,966,950	11,207,171	15,174,121
Unallocated Assets	-	-	335,105
Total Assets	3,966,950	11,207,171	15,509,226
Segment Liabilities	-	12,242,134	12,242,134
Unallocated Liabilities	-	-	3,267,092
Total Liabilities	-	12,242,134	15,509,226

Note 1 The Bank has no corporate banking business.

Note 2 Assets, liabilities, expenses and income which cannot be allocated to any business segment has been presented as Unallocated

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement
3 Lease disclosure

The Bank has taken on rent branch premises for periods ranging from 11 months to 120 months. The rental arrangements are cancellable after given one month notice and the agreement provides for annual increase of 5% to 10% on an yearly basis. For the reporting year the rental expense amounts to ₹ 41,484 thousands (31-Mar-18 - ₹ 13,240 thousands). The bank has taken on lease premises of corporate office for 9 years having lock-in period of 5 years. Minimum lease payment for non- cancellable lease are as follows

Particulars	March 31, 2019	March 31, 2018
Not later than one year	10,021	9,777
Later than one year but not later than five years	20,612	29,582
Later than 5 years		-
The total of minimum lease payments recognized in the Profit and Loss Account for the year	19,996	4,888

4. Deferred tax

S. No	Particulars of Asset/ Liability	March 31, 2019	March 31, 2018
1	Depreciation	1,098	266
2	Provision not allowed under Income Tax Act, 1961	(37,207)	(32,195)
3	Expense allowed on cash basis under Income Tax Act, 1961	(21,382)	(17,522)
4	Others	(4,369)	(5,743)
	Total	(61,859)	(55,194)

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement

5. Fixed Assets- Tangible Assets

Particulars	March 31, 2019	March 31, 2018
Opening balance	82,024	-
Additions during the year	107,595	91,169
Depreciation charge for the year#	23,922	5,277
Disposal of Assets during the year		3,868
Balance at the end of the period	165,697	82,024

#Assets written off during the previous year by Rs. 3,491 thousands, being the old assets taken over from RGVN- MFI

Fixed Assets- Intangible Assets

Particulars	March 31, 2019	March 31, 2018
Opening balance	82,363	-
Additions during the year	10,145	90,727
Depreciation charge for the year#	22,570	8,364
Balance at the end of the period	69,938	82,363

Capital Commitments

Particulars	March 31, 2019	March 31, 2018
Estimated amount of contracts remaining to be executed (Net of advances) and not provided for	71,498	46,814

The Capital commitments are unconditionally cancellable at any time by the Bank

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement
6. Related Party Transactions

As per AS 18 Related party Disclosures notified under section 133 of the companies Act 2013, read together with Paragraph 7 of the Companies (Accounts) Rule 2014, the related parties of the Bank during the year ended March 31, 2019 are disclosed below:

Name of Related party	Nature of Relationship
RGVN (North East) Microfinance Limited	Holding Company
Rupali Kalita	Key Managerial Person (MD and CEO) (From October 17, 2017)
Surya Narayan Patro	Chief Financial Officer (From October 17, 2017 to May 29, 2018)
Nipun Bhatia	Chief Financial Officer (From August 24, 2018 to February 13, 2019)
Mukesh Singh Verma	Key Managerial Person (Company Secretary) (From October 17, 2017)

a) Transactions during the year

Particulars	For the year ended March 31, 2019		For the period ended March 31, 2018	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Liabilities				
Term Deposit	22,492	380	120,000	1,550
Saving Deposit (Net of withdrawal)	-	-	-	135
Reimbursement of expenses	-	-	-	83
Issue of equity shares	-	-	1,830,000	-
Interest Accrued and due	-	-	-	-
Assets				
Long Term Deposit receivables	74,904	-	25,726.00	-
Expense				
Interest paid	9,978	170	1,820	32
Payment of Remuneration*	-	8,559	-	2,285
Reimbursement of Expenses	-	-	-25726	83

* The above remuneration excludes Bonus, Leave encashment & Gratuity

Note -In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

b) Balance outstanding as at year end are as follows

Particulars	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Outstanding as at Year end				
Deposits	144,130	3,466	121,638	1,714
Other Liabilities and Provisions	-	-	4,274	-
Receivable as at year end				
Other Assets	74,904	-	-	189

c) Maximum Balance outstanding during the year

Particulars	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Deposits	144,130	3,466	121,638	1,714
Other Liabilities and Provisions	-	-	30,000	-
Other Assets	74,904	-	-	189

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement

7. Employee Shared Based Payments

The Bank has not made any share based payments to any of its employees during the year.

8. Employee benefits

(i) Defined contribution plan

The Bank has recognized the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

Particulars	March 31, 2019	March 31, 2018
Contribution towards provident fund	26,161	8,583
Contribution towards ESIC	3,917	-
Contribution towards Pension fund	-	-

(ii) Defined benefit plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	March 31, 2019	March 31, 2018
Opening Balance of Present value of obligation	25,390	-
Obligation transferred on account of BTA		31,683
Interest Cost	1,979	1,898
Current service cost	5,845	2,746
Benefits paid	(808)	(1,112)
Actuarial Loss/ (Gain) on obligation	4,060	(9,824)
Closing Balance of Present value of obligation	36,466	25,391

Expense recognised in profit and loss account

Particulars	March 31, 2019	March 31, 2018
Current service cost	5,845	2,746
Interest Cost	1,979	1,898
Expected return on plan assets	(3,331)	(761)
Net Actuarial loss recognised in the year	4,442	(9,895)
Income recognised in profit and loss account	8,935	(6,012)

Net Liability/(Asset) recognized in the Balance Sheet

Particulars	March 31, 2019	March 31, 2018
Fair value of plan assets	64,521	42,734
Present value of defined obligation	36,466	25,390
Excess of plan assets over present value of obligation	28,055	17,344
Net (liability) recognized in balance sheet	-	-

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement

Change in Fair Value of Plan Assets during the year

Particulars	March 31, 2019	March 31, 2018
Opening balance of fair value of plan assets	42,735	
Plan assets acquired under BTA		22,773
Expected return on plan assets	3,331	761
Actual Company Contributions	19,645	20,243
Benefits paid	(808)	(1,112)
Actuarial gain/(loss) return on plan assets	(381)	70
Closing balance of fair value of plan assets	64,522	42,735

Actuarial assumptions used

Particulars	March 31, 2019	March 31, 2018
Discount Rate	7.70%	7.80%
Expected Return on plan assets	7.70%	7.80%
Expected rate of salary increase	5.00%	5.00%
Employee Attrition rate		
Upto 30 Yrs	5.00%	5.21%
31-44 yrs	6.00%	1.65%
Above 44 yrs	12.00%	3.39%

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Information of investment details of plan assets are not available hence not disclosed and the obligation is funded with LIC.

Details relating to experience adjustment and expected future cash flow is given below:

Particulars	March 31, 2019	March 31, 2018
(Gain)/Loss on Plan Liabilities	(1,516)	1180
% of Opening Plan Liabilities	6.00%	3.70%
(Gain)/Loss on Plan Assets	(381)	70
% of Opening Plan Assets	-0.9%	3.70%

(iii) Other Long term employee benefits – Compensated absences

The Actuarial liability of compensated absences of accumulated privilege leave of the employees of the Bank is given below:

Particulars	March 31, 2019	March 31, 2018
Privileged Leave (Actuarial Liability) at the beginning of the year*	14,656	11837
Privileged Leave (Actuarial Liability) at the end of the year	21,558	14656
Actuarial assumptions		
Discount Rate	7.70%	7.80%
Salary Escalation rate	5.00%	5.00%

9. Corporate Social Responsibility

As per Sec 135 (1) of the Companies Act “Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director”. Further, the company should spend, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. Since the bank is in the 2nd year of its incorporation provisions of CSR does not apply to the Bank as average profit of last 3 years is not available.

10. Subordinated Debt

The Bank has no outstanding subordinated debt as on 31 March 2019.

North East Small Finance Bank Limited

₹ in '000

Schedule 18 B- Notes to Financial Statement

11. Contingent Liabilities

Description of Contingent Liabilities:

Particulars	March 31, 2019	March 31, 2018
Claims against the Company Not acknowledged as debt	-	19,769

Pursuant to the transfer of business, liability relating to service tax matters of RGVN (NE) MFL was disclosed as contingent liability in the notes forming part of the financial statements of the NESFB for the year ended March 31, 2018 not acknowledged as debt amounting to Rs. 197.69 lakhs. As Service Tax Authorities acknowledges this Liability as pertaining to RGVN (NE) MFL and RGVN (NE) MFL is bound to honor this liability as per Service Tax Act 1994, Governing Board of RGVN (NE) MFL has decided to take the provision in their Financial Statement for FY 2018-19. Based on this, Contingent liability shown last year has not been disclosed in the Financials of the Bank for the year ended 31st March 2019.

12. The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the period end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards or material foreseeable losses on such long term contracts has been made in the books of account as at March 31, 2019.

13. Based on the information available with the Company, there are no outstanding dues and payment made to supplier of goods and services beyond the specified period under the Micro, Small and Medium Enterprise Development Act, 2006. There are no interest payable or paid to any supplier under the said act.

14. Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank.

15. Prior period comparatives

Figures for the previous period have been regrouped and reclassified wherever necessary to confirm to the current year's presentation

As per our report of even date attached

For and on behalf of the Board of Directors

For **MSKA & Associates**
Chartered Accountants
Firm Registration Number : 105047W

Sd/-
Bhaskar Jyoti Sarma
Chairman
DIN : 05282550

Sd/-
Ranjit Goswami
Independent Director
DIN : 07368429

Sd/-
Swapnil Kale
Partner
Membership No - 117812

Sd/-
Akshay Mehta
Chief Financial Officer

Sd/-
Rupali Kalita
Managing Director & CEO
DIN : 02114098

Sd/-
Mukesh Singh Verma
Company Secretary & CCO
M.No - FCS 6936

Guwahati
July 5, 2019

NOTICE

Notice is hereby given that the 3rd Annual General Meeting of North East Small Finance Bank Limited will be held at 10:00 AM, on Friday, 27th day of September, 2019 at Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam to transact the following businesses:

ORDINARY BUSINESS:

1. **To receive, consider and adopt the Audited Financial Statement & Directors Report for the year ended 31st March, 2019 and Auditor's Report and the comments thereupon.**
2. **To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass the following resolution with or without modification as an ordinary resolution:**

“RESOLVED THAT pursuant to provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013, if any, read with the Companies (Audit & Auditors) Rules, 2014, and the applicable provisions of the Banking Regulation Act 1949 including any statutory enactment or amendments or modifications, thereof, M/s MSKA & Associates, Chartered Accountant, (Firm Registration No. FRN-105047W) be and is hereby appointed as the Statutory Auditors of the Company for a period of 1 year and to hold the office from the conclusion of this 3rd Annual General Meeting till the conclusion of 4th Annual General Meeting of the bank, subject to approval from Reserve Bank of India and such other regulatory authorities, as may be applicable, and on such terms and conditions, including remuneration, as approved by the Board of Directors of the Bank”.

3. **Re-appointment Mr. Robert Douglas Dunn who retires by rotation, and being eligible, offers himself for reappointment.**

“RESOLVED that Mr Robert Douglas Dunn, director be and is hereby reappointed as the Director of the company and shall be liable to retire by rotation.”

SPECIAL BUSINESS

4. **To consider and if thought fit to pass with or without modification(s) the following resolutions as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the rules framed thereunder, read with Schedule IV to the Act, as amended from time to time, Mr. Ranjit Goswami (DIN 07368429), who was appointed by the Board of Directors of the Company as an Independent Director of the company w.e.f 25/07/2016 for a period of 4 years and who has submitted a declaration that he meets the criteria for Independence as provided in Section 149(6) of the Companies Act 2013 and as per the Banking Regulation Act 1949 and who is eligible for appointment as an Independent Director of the Company is hereby appointed as an Independent Director in the Board.”

5. **To consider and if thought fit to pass with or without modification(s) the following resolutions as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the rules framed thereunder, read with Schedule IV to the Act, as amended from time to time, Mr. Deep Chandra Joshi (DIN 00332709), who was appointed by the Board of Directors of the Company as an Independent Director of the company w.e.f 25/07/2016 till October 16, 2020 and who has submitted a Declaration that he meets the criteria for Independence as provided in Section 149(6) of the Companies Act 2013 and as per the Banking Regulation Act 1949 and who is eligible for appointment as an Independent Director of the Company is hereby appointed as an Independent Director in the Board.”

By order of the Board of Directors
For NORTH EAST SMALL FINANCE BANK LIMITED

Place: Guwahati
Date: 23.08.2019

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

NOTES

1. A member entitled to attend and vote at the 3rd Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and a proxy need not be a member of the company. The proxy form, to be valid and effective, should be lodged at the registered office of the company, duly completed and signed, not less than 48 hours before the commencement of the AGM.
2. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carry voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. Corporate members intending to send their authorised representative(s) to attend the meeting are requested to send to the company a certified copy of relevant board resolution together with the specimen signature(s) of the representative(s) authorised under the said board resolution to attend and vote on their behalf at the meeting.
4. For security reasons and for proper conduct of AGM, entry to the place of the AGM will be regulated by the attendance slip, which is annexed to this notice. Members/ proxies are requested to bring their attendance slip in all respects and signed at the place provided there at and hand it over at the entrance of the venue. The route map of the AGM venue is also annexed to this notice.
5. All documents referred to in the notice and the explanatory statement requiring the approval of the members at the AGM and other statutory registers shall be available for inspection by the members at the registered office of the company during office hours on all working days between 11.00 A. M. and 1.00 P. M. from the date hereof up to the date of ensuing annual general meeting.
6. The annual report 2018-19 of the company is also available on the company's website at www.nesfb.com.
7. Member desirous of obtaining any information concerning the accounts and operations of the company are requested to address their questions in writing to the company at least 10 days in advance before the date of annual general meeting, so that the information required may be available at the meeting.
8. Shareholders are requested to kindly bring their copies of annual report to the meeting.
9. The explanatory statement as required under section 102(1) of the Companies Act, 2013, is annexed hereto and all documents referred to in the same will be open for inspection by members, at the registered office of the company during normal working hours up to the date of the annual general meeting.

By order of the board of directors
For North East Small Finance Bank Limited

Place: Guwahati
Date: 23.08.2019

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

Explanatory Statement (Pursuant to section 102 of the Companies Act, 2013)

Item No. 4:

Mr. Ranjit Goswami (DIN 07368429) was appointed as first director with effect from July 25, 2016. In terms of RBI requirement, Bank has categorized him as 'Non-Executive Independent Director'. In terms of the section 149 of the Companies Act, 2013, Bank has received a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the act and consent to act as Independent Director has also been received along with a declaration under Section 164(2) of the Companies Act, 2013 read with the rules made there under, confirming he is not disqualified to be appointed as an Independent Director of the Bank. The Board is of the opinion that his continued association with the Bank as an Independent Director would be beneficial to the Bank. Further, in the opinion of the Board, Mr. Ranjit Goswami fulfills the conditions for independence as specified under Section 149 and schedule IV of the Companies Act, 2013 and the Rules made there under and he is independent of the management. He also complies with the 'fit and proper' criteria laid down under Banking Regulation Act, 1949.

In order to ensure compliance with the provisions of Sections 149 and 152 of the Companies Act, 2013 read with Rules made thereunder and Schedule IV of the Act, approval of the shareholders be and is hereby requested for the appointment of Mr. Ranjit Goswami as an Independent Director for a period of 4 years commencing from July 25, 2016. No Director other than Mr. Ranjit Goswami himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 4.

Further, Mr. Ranjit Goswami is not related to any other Director or Key Managerial Personnel of the Bank. The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 4 of the Notice.

Item No. 5:

Mr. Deep Chandra Joshi (DIN 00332709) was appointed as an independent director with effect from July 25, 2016. In terms of RBI requirement, Bank has categorized him as 'Non-Executive Independent Director'. In terms of the section 149 of the Companies Act, 2013, Bank has received a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the act and consent to act as Independent Director has also been received along with a declaration under Section 164(2) of the Companies Act, 2013 read with the rules made there under, confirming he is not disqualified to be appointed as an Independent Director of the Bank. The Board is of the opinion that his continued association with the Bank would be beneficial to the Bank. Further, in the opinion of the Board, Mr. Deep Chandra Joshi fulfills the conditions for independence as specified under Section 149 and schedule IV of the Companies Act, 2013 and the Rules made there under and he is independent of the management. He also complies with the 'fit and proper' criteria laid down under Banking Regulation Act, 1949.

In order to ensure compliance with the provisions of Sections 149 and 152 of the Companies Act, 2013 read with Rules made thereunder and Schedule IV of the Act, approval of the shareholders be and is hereby requested for the appointment of Mr. Deep Chandra Joshi as an Independent Director till October 16, 2020 commencing from July 25, 2016. No Director other than Mr. Deep Chandra Joshi himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 5.

Further, Mr. Deep Chandra Joshi is not related to any other Director or Key Managerial Personnel of the Bank. The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 5 of the Notice.

By order of the Board of Directors
For NORTH EAST SMALL FINANCE BANK LIMITED

Place: Guwahati
Date: 23.08.2019

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

NORTH EAST SMALL FINANCE BANK LIMITED

(CIN: U65100AS2016PLCO17505)

Registered Office: 1st & 3rd Floor, Fortune Central, Basistha Road,
Basisthapur, Bye lane No:3, Guwahati-781028

Website: www.nesfb.com, Email: contact@nesfb.com

Phone No: +91 361 7180001,

3rd ANNUAL GENERAL MEETING- FRIDAY, SEPTEMBER 27, 2019 AT 10:00 AM

ATTENDANCE SLIP

Name of the member(s) &
Registered address:

Folio No./DP ID-Client Id:

No. of shares:

*Applicable for the member(s) holding shares in Electronic Form.

I being a member/proxy for the member of the Company, hereby record my presence at the 3rd Annual General Meeting of the Company at Board Room, 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati-781028 on Friday, September 27, 2019.

Name of the Member/Proxy#	Signature of the Member/Proxy#

Stikeout whichever is not applicable.

1. Please hand over the attendance slip at the entrance of the meeting venue.
2. This attendance is valid only in case shares are held on the date of the meeting.
3. As per section 118(10) of the Companies Act, 2013 read with the Secretarial Standards for General Meeting issued by Institute of Company Secretaries of India "No gifts, gift coupons or cash in lieu of gifts shall be distributed to members at or in connection with the meeting".

.....

FORM NO. MGT – 11

PROXY FORM

[Pursuant to Section 105(6) of the Companies (Management and Administration) rules, 2014]

North East Small Finance Bank Limited

(CIN: U65100AS2016PLCO17505)

Registered Office: 1st & 3rd Floor, Fortune Central, Basistha Road,

Basisthapur, Bye lane No:3, Guwahati-781028

Website: www.nesfb.com, Email: compliance@nesfb.com

Phone No: +91 361 7180001,

Name of the member(s)	
Registered address	
Email id:	
Folio No/Client Id	
DP ID	

I/We, being the member(s) of shares of the above named company, hereby

1. Name:.....

Email id:.....

Address:.....

Signature:..... Or failing him/her

2.Name:.....

Email id:.....

Address:.....

Signature:..... Or failing him/her

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 3rd Annual General Meeting of the company, to be held on at 10 AM at board room, 3rd floor, fortune Central, Basisthapur, Guwahati-781028 and at any adjournment thereof in respect of such resolution as are indicated overleaf.

Resolution No.	Resolution	Vote (See Note 3)	
Ordinary business		for	against
1	Adoption of audited financial statements along with the Report of the Board of Directors and Auditors for the financial year ended March 31, 2019.		
2	To appoint M/s MSKA & Associates, Chartered Accountants, firm registration No FRN-105047W as Statutory auditors of the company for a period of 1 (one) financial year.		
3	Re-appointment Mr. Robert Douglas Dunn who retires by rotation, and being eligible, offers himself for reappointment.		
4	Appointment of Mr. Ranjit Goswami as Independent Director.		
5	Appointment of Mr. Deep Chandra Joshi as Independent Director.		

Signed thisday of 2019.

Signature of Shareholder on revenue stamp



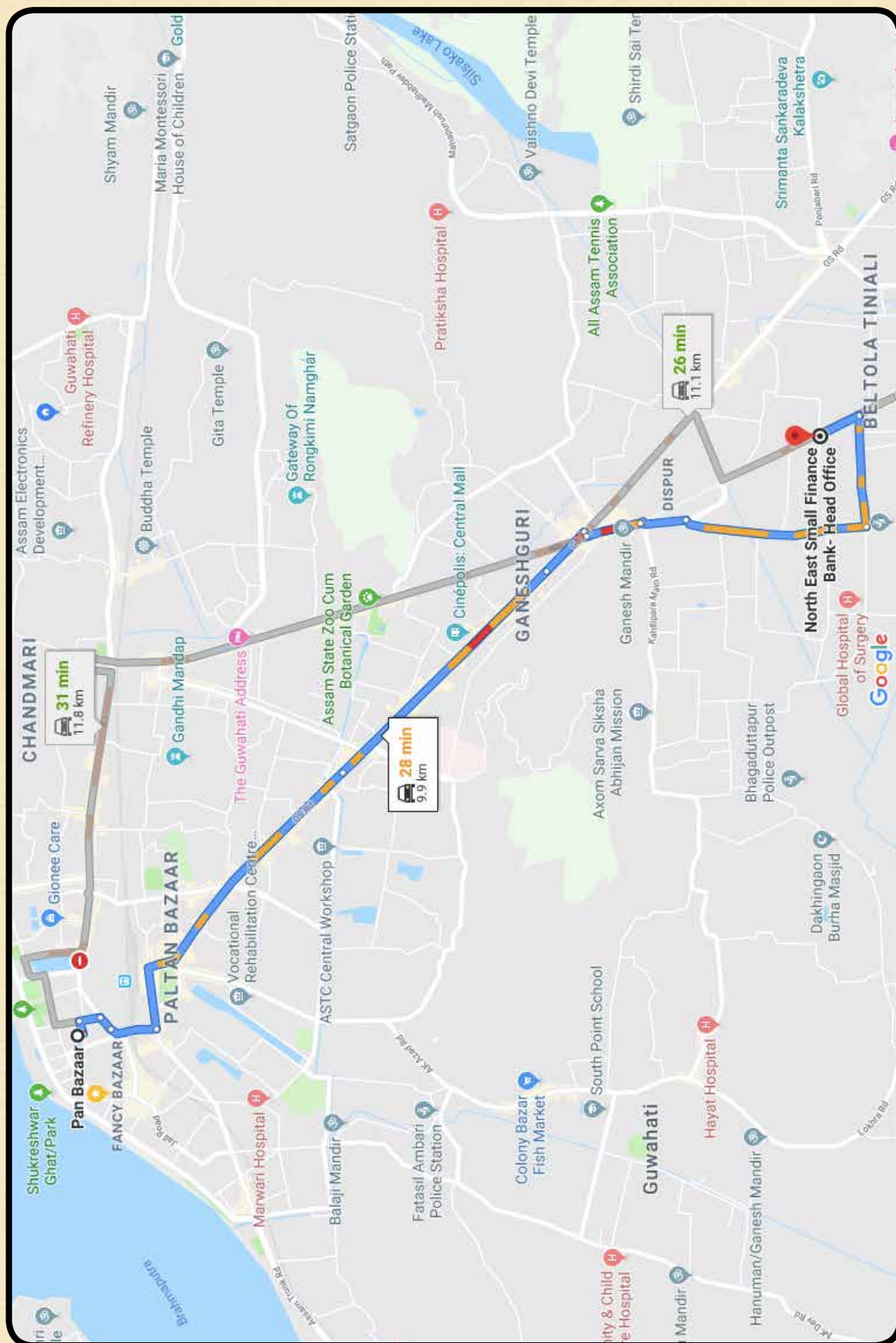
Note:

1. This form of Proxy in order to be effective should be duly completed and deposited at Registered & Corporate Office: 1st & 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati, Assam-781028, not less than 48 hours before the schedule time of the meeting.

2. A person can act as Proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the company may appoint a single person as a Proxy and such person cannot act as a Proxy for any other person or shareholder.

3. It is optional to put a "X" in the appropriate column against the Resolutions indicated in the Box. If you leave the "For" or "Against" column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

ROAD MAP OF AGM VENUE

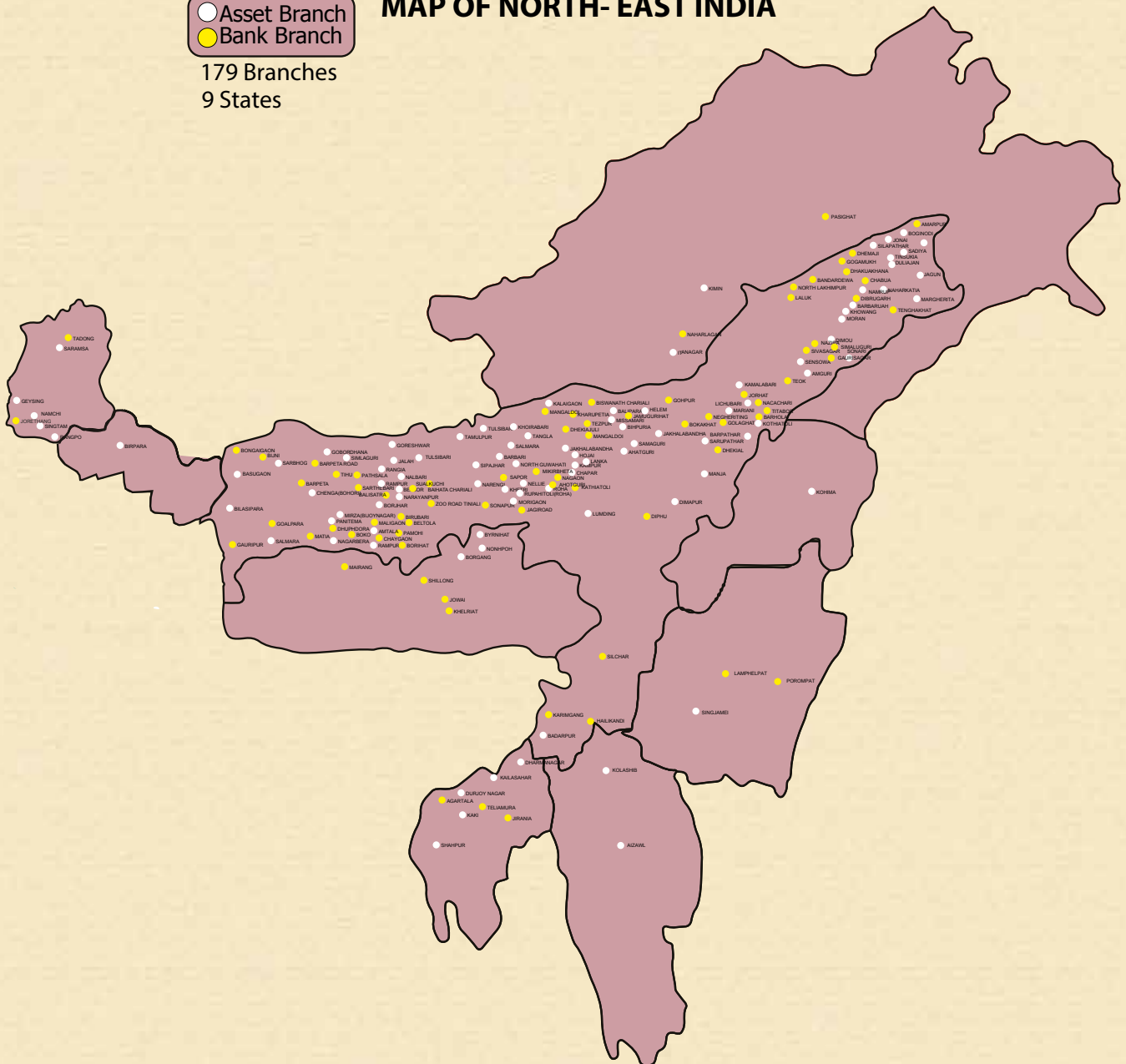


OUR PRESENCE

- Asset Branch
- Bank Branch

179 Branches
9 States

MAP OF NORTH- EAST INDIA





North East Small Finance Bank Ltd

1st & 3rd Floor, Fortune Central , Basisthapur, Bye lane 3,
Beltola Guwahati, Assam 781028
Toll Free Number-1800-121-1905