

Independent Auditors' Review Report on Special Purpose Unaudited Interim Condensed Financial Statements of the North East Small Finance Bank Limited.**The Board of Directors****North East Small Finance Bank Limited**

1. We have reviewed the accompanying special purpose unaudited interim condensed financial statement (hereinafter referred to as the "interim condensed financial statements") of **North East Small Finance Bank Limited** ('the Bank') comprising of the Condensed Balance Sheet as at September 30, 2019, the related Condensed Profit and Loss Account and Condensed Cash Flow Statement for the half year ended on that date and selected explanatory notes prepared by the Management for submission to its Holding Company, RGVN (North East) Microfinance Limited for preparation of its consolidated interim condensed financial statements.
2. These interim condensed financial statements, which are the responsibility of the Bank's Management and approved by the Board of Directors has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard ("AS") 25 'Interim Financial Reporting' ('AS 25') as prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directives issued by the Reserve Bank of India ('the RBI') from time to time ('RBI Guidelines') as applicable to banks, to the extent considered relevant for the purpose for which interim condensed financial statements has been prepared and other recognized accounting principles generally accepted in India. Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.
3. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements prepared in accordance with the recognition and measurement principles laid down in aforesaid Accounting Standard, RBI Guidelines and other accounting principles generally accepted in India, contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued

MSKA

& Associates

Chartered Accountants

by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters,

5. The interim condensed financial statement of the Bank for the period ended September 30, 2018 are management certified and were not subjected to any audit/review.

6. Restriction on Use

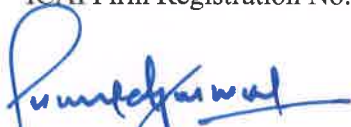
The report is addressed to the Board of Directors of the Bank solely for the internal management purposes and for preparation of Consolidated interim condensed financial statement by the Holding Company, RGVN (North East) Microfinance Limited. It should not be used by any other person or for any other purpose except with prior consent in writing. MSKA & Associates shall not be liable to the Bank or to any other concerned for any claims, liabilities or expenses relating to this assignment.

Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **MSKA & Associates**

Chartered Accountants

ICAI Firm Registration No.105047W



Puneet Agarwal

Membership No.: 064824

UDIN: 19064824AAAACZ4228



Kolkata

December 19, 2019

NORTH EAST SMALL FINANCE BANK LIMITED
BALANCE SHEET AS AT SEPTEMBER 30, 2019

₹ in '000

PARTICULARS	Schedule No.	As at Sep 30, 2019	As at Mar 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	29,33,850	29,33,850
Reserves and Surplus	2	7,56,568	5,92,961
Deposits	3	55,85,659	26,73,733
Borrowings	4	82,21,699	1,10,09,875
Other Liabilities and Provisions	5	5,01,229	4,88,759
TOTAL		1,79,99,005	1,76,99,178
ASSETS			
Cash and Balance with Reserve Bank of India	6	7,00,047	7,24,558
Balance with Banks and Money at call & short notice	7	18,67,459	8,15,617
Investments	8	23,24,213	16,53,053
Advances	9	1,24,29,484	1,38,39,737
Fixed Assets	10	2,84,783	2,35,635
Other Assets	11	3,93,019	4,30,578
TOTAL		1,79,99,005	1,76,99,178

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 review report of even date
For **MSKA & Associates**

Chartered Accountants
Firm Registration Number : 105047W


Puneet Agarwal
Partner
Membership No - 064824





For and on behalf of the Board of Directors


Bhaskar Jyoti Sarma
Part-time Chairman
DIN: 05282550


Rupali Kalita
Managing Director & CEO
DIN : 02114098


Mukesh Singh Verma
Company Secretary & CCO
M.No - FCS6936


Ranjit Goswami
Independent Director
DIN : 07368429


Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

Kolkata
19.12.2019

Guwahati
19.12.2019

NORTH EAST SMALL FINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

PARTICULARS	Schedule No.	₹ in '000	
		Sep 30, 2019	Sep 30, 2018
I. INCOME			
Interest Earned	12	15,35,398	14,53,523
Other Income	13	61,096	50,686
TOTAL		15,96,494	15,04,209
II. EXPENDITURE			
Interest Expended	14	6,63,115	6,36,736
Operating Expenses	15	6,62,471	3,92,062
Provisions and Contingencies		1,07,301	1,78,288
TOTAL		14,32,887	12,07,086
III. PROFIT			
Net Profit After Tax		1,63,607	2,97,123
Add; Balance in Profit & Loss Account Brought Forward from Previous Year		4,16,513	1,67,676
Add: Amount Transferred from Special Reserve		-	-
TOTAL		5,80,120	4,64,799
IV. APPROPRIATIONS			
Balance Carried to Balance Sheet		5,80,120	4,64,799
TOTAL		5,80,120	4,64,799

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

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

As per our review report of even date
For MSKA & Associates

Chartered Accountants
Firm Registration Number : 105047W


 

Puneet Agarwal
Partner
Membership No - 064824

For and on behalf of the Board of Directors


Bhaskar Jyoti Sarma
Part-time Chairman
DIN : 05282550


Rupali Kalita
Managing Director & CEO
DIN : 02114098


Mukesh Singh Verma
Company Secretary & CCO
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Ranjit Goswami
Independent Director
DIN : 07368429


Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

Kolkata
19.12.2019

NORTH EAST SMALL FINANCE BANK LIMITED
CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

₹ in '000

PARTICULARS	For period ended September 30, 2019	For period ended September 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	2,41,063	4,70,325
Adjustment For:		
Contingent Provisions for Standard Assets	(5,741)	7,623
Depreciation & Amortisation	33,460	19,144
Provision for Risk Insurance & welfare	(17,100)	-
Provision for Non Performing / Bad Assets	52,686	(2,536)
Operating Profit before Working Capital Changes	3,04,368	4,94,556
Adjustments for:		
Decrease/(Increase) in Other Assets	45,084	(14,202)
Increase/(Decrease) in Other liabilities and Provisions	18,210	1,86,816
Decrease/(Increase) in Advances	14,08,819	(5,33,496)
Decrease/(Increase) in Investments	(6,71,160)	(12,84,185)
Increase/(Decrease) in Deposits	29,11,926	(4,51,265)
Cash generated from / (used) in Operations:	37,12,879	(20,96,332)
Taxes Paid	(1,19,133)	(1,63,000)
Net Cash Flow from / (used) in Operating Activities	(A) 38,98,114	(17,64,776)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(82,608)	(44,451)
Net Cash Flow used in Investing Activities	(B) (82,608)	(44,451)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings	(27,88,176)	10,38,087
Net Cash Flow from / (Used in) Financing Activities	(C) (27,88,176)	10,38,087
Net Increase / (Decrease) in Cash or Cash Equivalents (A+B+C)	10,27,330	(7,71,140)
Opening Cash and Cash Equivalents	13,71,085	22,82,343
Cash and Cash Equivalents at the end of the year	23,98,415	15,11,203
Break up cash and cash equivalent		
Cash and Balance with RBI	7,00,047	2,99,336
Balance in current account with other banks	3,38,368	6,51,867
Deposits	8,10,000	3,10,000
Money at Call & Short Notice	5,50,000	2,50,000
Total Cash & Cash Equivalent	23,98,415	15,11,203

Notes:

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard 3 of Cash Flow Statements
- Figures in bracket indicate cash outflow.

As per our review report of even date attached

For MSKA & Associates


Chartered Accountants


Firm Registration Number: 105047W


Puneet Agarwal
 Partner
 Membership No - 064824




For and on behalf of the Board of Directors


Bhaskar Jyoti Sarma
 Part-time Chairman
 DIN : 05282560


Rupali Kalita
 DIN : 02114098
 Managing Director & CEO


Ranjit Goswami
 DIN : 07368429
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Ketan Kumar Joshi
 Chief Financial Officer
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Mukesh Singh Verma
 M.No - FCS6936
 Company Secretary & CCO

Kolkata
 19.12.2019

Guwahati
 19.12.2019

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

PARTICULARS	₹ in '000	
	As at Sep 30, 2019	As at Mar 31, 2019
SCHEDULE 1 - Share Capital		
Authorised Share Capital:		
Equity Share Capital 500,000,000 Shares of Rs. 10 each	50,00,000	50,00,000
Issued, Subscribed and Paid up Capital		
Equity Share Capital 293,384,995 Shares of Rs. 10 each	29,33,850	29,33,850
Total	29,33,850	29,33,850
SCHEDULE 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	1,48,229	55,877
Additions during the year	-	92,352
Closing Balance	1,48,229	1,48,229
II. Investment Fluctuation Reserve		
Opening Balance	28,219	
Additions during the year	-	28,219
Closing Balance	28,219	28,219
III. Balance in Profit and Loss Account		
	5,80,120	4,16,513
Total (I to III)	7,56,568	5,92,961
SCHEDULE 3 - Deposits		
A.I. Demand Deposits		
(i) From Others	1,05,085	34,306
II. Savings Bank Deposits		
	16,04,979	5,54,411
III. Term Deposits		
(i) From Banks	8,02,979	2,02,185
(ii) From Others	30,72,616	18,82,831
Total (I to III)	55,85,659	26,73,733
SCHEDULE 4 - Borrowings		
I. i) Other Banks		
	9,982	6,68,924
ii) Other Institutions and Agencies		
	73,81,717	93,60,951
iii) Others (Non-Convertible Redeemable Debentures)		
	8,30,000	9,80,000
Total	82,21,699	1,10,09,875
SCHEDULE 5 - Other Liabilities and Provisions		
I. Interest Accrued		
	83,394	2,27,401
II. Provision for Standard Assets		
	49,713	55,453
III. Others (Including Provisions)		
	3,68,122	2,05,905
Total (I to III)	5,01,229	4,88,759



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

PARTICULARS	₹ in '000	
	As at Sep 30, 2019	As at Mar 31, 2019
SCHEDULE 6 - Cash and Balance with Reserve Bank of India		
I Cash in hand	1,14,703	92,876
II Balances with Reserve Bank of India		
i) In Current Accounts	5,85,344	6,31,682
ii) In Other Accounts	-	-
Total (I and II)	7,00,047	7,24,558
SCHEDULE 7 : Balances with Banks and Money at Call and Short Notice		
In India		
I Balances with banks		
i) In Current Accounts	3,38,368	3,76,526
ii) In Other Deposit Accounts	9,79,091	1,89,091
II) Money at call and short notice		
i) With other Institutions	5,50,000	2,50,000
Total	18,67,459	8,15,617
Total (I and II)	18,67,459	8,15,617
SCHEDULE 8 - Investments		
I. Investments in India		
i) Government Securities	20,24,117	13,52,957
ii) Others (Investment in Mutual Funds)	3,00,096	3,00,096
Total (I)	23,24,213	16,53,053
II Investments Outside India		
i) Government Securities	-	-
ii) Subsidiaries and/or Joint Ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
Total (I and II)	23,24,213	16,53,053
Gross Investments	23,24,213	16,53,053
Less : Provision for Investments	-	-
Net Investments	23,24,213	16,53,053
SCHEDULE 9 - Advances		
I i) Cash Credits, Overdrafts and Loans repayable on demand	38,932	21,252
ii) Term Loans	1,23,90,552	1,38,18,485
Total	1,24,29,484	1,38,39,737
SCHEDULE 10 - Fixed Assets		
I) Fixed Assets (Including Furnitures and Fixtures)		
At the beginning of the year	2,95,768	1,78,028
Additions during the year	82,608	1,17,740
Deductions during the year	-	-
Total (I)	3,78,376	2,95,768
II) Depreciation		
At the beginning of the year	60,133	13,641
Charge for the year	33,460	46,492
Deductions during the year	-	-
Total (II)	93,593	60,133
Net Block (I - II)	2,84,783	2,35,635
SCHEDULE 11 - Other Assets		
i. Interest Accrued	14,589	6,504
ii. Tax paid in advance	67,653	51,415
iii. Others (including Deferred Tax Assets)	3,10,777	3,72,659
Total	3,93,019	4,30,578



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

PARTICULARS	Sep 30, 2019	₹ in '000 Sep 30, 2018
SCHEDULE 12 - Interest Earned		
I. Interest on Advances	14,22,507	13,49,968
II. Income on Investments	61,358	52,620
III. Interest on Balances with RBI and Other Inter-Bank Funds	51,533	50,935
Total (I to III)	15,35,398	14,53,523
SCHEDULE 13 - Other Income		
I. Commission, Exchange & Brokerage	47,122	49,484
II. Profit on sale of Investments	10,473	606
III. Miscellaneous Income	3,501	596
Total (I to III)	61,096	50,686
SCHEDULE 14 - Interest Expended		
I. Interest on Deposits	1,56,251	45,459
II. Interest on Inter-bank borrowings	5,06,864	5,91,277
Total (I to II)	6,63,115	6,36,736
SCHEDULE 15 - Operating Expenses		
I. Payments and Provisions for Employees	3,99,198	2,06,492
II. Rent, Taxes and Lighting	38,961	29,004
III. Printing and Stationery	7,477	6,272
IV. Advertisement and Publicity	25,792	7,287
V. Depreciation on Bank's property	33,460	19,144
VI. Director's Fees's, Allowances & Expenses	660	490
VII. Auditors fees and expenses	2,328	1,875
VIII. Law Charges	37	41
IX. Postage, Telegrams, Telephones, etc.	12,123	9,625
X. Repairs and Maintenance	17,499	5,371
XI. Insurance	6,253	923
XII. Other expenditure	75,383	59,631
XIII. IT Cost (FIS)	43,300	45,907
Total (I to XIII)	6,62,471	3,92,062

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North East Small Finance Bank Limited

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

16. General Information

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 has been included in the Second Schedule to the Reserve Bank of India, 1934 vide Notification DBR.NBD.No.31/16.02.010/2019-20 dated July 1,2019, and published in the Gazette of India (Part III - Section 4) dated August 10-August 16,2019.

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.

17. Statement of Compliance

The interim financial statement comprise of condensed balance sheet as at September 30, 2019, condensed profit and loss account and interim cash flow statement for the six month period ended September 30, 2019 and other explanatory information's. The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendment Rules 2016 in so far as they apply to banks and the guidelines issued by the RBI. The financial statements have been prepared on an accrual basis and under the historical cost.

These interim financial statements are prepared in accordance with Accounting Standard 25 'Interim Financial Reporting' specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standard) Amendment Rules 2016.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year / period.

18. Significant Events after the Reporting period

There were no significant adjusting events that occurred subsequent to the reporting period.



19. Segment reporting

₹ in '000

As at and for the period ended September 30, 2019:

Particulars	Treasury	Retail Banking	Total
Segment Revenue	1,07,817	14,88,677	15,96,494
Un allocated Revenue	-	-	-
Less: Inter Segment Revenue	-	-	-
Total Revenue	1,07,817	14,88,677	15,96,494
Segment Expenses	1,625	11,03,163	11,04,788
Segment Results	1,06,192	3,85,515	4,91,706
Unallocated Expenses			2,20,799
Operating Profits			2,70,907
Provisions and Contingencies other than Tax Expenses	-	29,845	29,845
Tax Expenses (including deferred tax)			77,456
Net profit			1,63,607
Other Information			
Segment Assets	29,12,216	1,32,58,206	1,61,70,422
Unallocated Assets			18,28,583
Total Assets	29,12,216	1,32,58,206	1,79,99,005
Segment Liabilities	25,88,880	1,15,58,238	1,41,47,118
Unallocated Liabilities			38,51,887
Total Liabilities	25,88,880	1,15,58,238	1,79,99,005

For the period ended September 30, 2018

₹ in '000

Particulars	Treasury	Retail Banking	Total
Segment Revenue	91,781	14,12,428	15,04,209
Un allocated Revenue	-	-	-
Less: Inter Segment Revenue	-	-	-
Total Revenue	91,781	14,12,428	15,04,209
Segment Expenses	2,167	8,72,503	8,74,670
Segment Results	89,614	5,39,925	6,29,539
Unallocated Expenses			1,54,127
Operating Profits			4,75,412
Provisions and Contingencies other than Tax Expenses	-	5,088	5,088
Tax Expenses (including deferred tax)			1,73,201
Net profit			2,97,123
Other Information (As as March 31, 2019)			
Segment Assets	27,30,724	1,43,82,605	1,71,13,329
Unallocated Assets			5,85,849
Total Assets	27,30,724	1,43,82,605	1,76,99,178
Segment Liabilities	-	1,40,20,620	1,40,20,620
Unallocated Liabilities			36,78,558
Total Liabilities	-	1,40,20,620	1,76,99,178

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

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

20. 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 September 30, 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)
Akshay Mehta	Chief Financial Officer from 29.05.2019 to 23.08.2019
Ketan Kumar Joshi	Chief Financial Officer from 23.08.2019
Mukesh Singh Verma	Key Managerial Person (Company Secretary) (From October 17, 2017)

a) Transactions during the year

Particulars	For the half year ended September 30, 2019		For the half year ended September 30, 2018	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Liabilities				
Term Deposit				
Accounts Opened	5,000	1,905	5,345	-
Accounts Matured	36,075	1,217	-	-
Saving Deposit (Net of withdrawal)	-	314	-	-
Assets				
Long Term Deposit receivables (As on 31.03.2019)	3,436	-	74,904	-
Expense				
Interest paid	5,791	287	4,943	78
Payment of Remuneration	-	4,827	-	4,125
Reimbursement of Expenses	-	-	-	-

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 half year ended September 30, 2019		For the year ended March 31, 2019	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Outstanding as at the Year End				
Deposits	1,20,400	7,377	1,44,130	3,466
Other Liabilities & Provisions	-	-	-	-
Receivable as at year end				
Other Assets	3,436	-	74,904	-

c) Maximum Balance outstanding during the year

Particulars	For the half year ended September 30, 2019		For the year ended March 31, 2019	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Deposits	1,20,400	7,377	1,44,130	3,466
Other Liabilities and Provisions	-	-	-	-
Other Assets	3,436	-	74,904	-



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21. Approval of financial statement

These interim financial statements have been prepared by management in accordance of AS 25 "Interim Financial Statements" specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standard) Amendment Rules 2016, for the purpose of submission to Board of Directors purely for internal Management purposes and for the purpose of preparation of consolidated financial statement by its holding company, RGVN(North East) Microfinance Limited.

For **MSKA & Associates**

Chartered Accountants
Firm Registration Number : 105047W





Puneet Agarwal
Partner
Membership No - 064824

For and on behalf of the Board of Directors


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