



Resilient Banking

ANNUAL REPORT 2019 -20



North East
Small Finance Bank
Your Doorstep Banker



9 States & 209 Branches

Portfolio Outstanding
Rs. 1348 Cr.



Profit after Tax
Rs. 12.59 Cr.

5,56,486 Clients



CAR 24.98%

Deposits 890 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.

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

2019-2020

- On 1st July 2019, North East Small Finance Bank (NESFB) has been awarded a Scheduled Commercial Bank Status by Reserve Bank of India vide letter no. **DBR.NBD. No.31/16.02.010/2019-20**. At the close of the financial year 2019-20, we have successfully been able to build a network of 209 branches which includes 116 bank branches and 93 asset offices in the Northeastern region. We have maintained our asset portfolio at Rs. 1348 crore and have grown the deposit books to Rs. 890 crore.
- We continue to focus on unbanked and unserved populace of North Eastern region and have opened 170 number of our branches in unbanked rural centers. Our products and services such as micro credit, daily deposit, micro insurance are tuned towards the mission and vision of the organization, the basis of which is financial inclusion.
- We are honored to have Mr. Arun Prakash Sandilya (Ex. Chief General Manager, NABARD) to join on the Board of North East Small Finance Bank on 18th January, 2020. The Corporate Governance of North East Small Finance Bank has been strengthened with the introduction of the Independent Director. His valuable experience from NABARD and expertise of agriculture rural development and allied sectors in the NE Region which is also our next prime focus area will help our organization immensely in strategizing our future course of operations.



FROM THE DESK OF THE MD & CEO



Dear Stakeholders,

It's been a year where the region grappled with multiple socio economic issues. These events had a significant impact on the operating environment of the financial institutes whose portfolio comprised of micro finance in particular. It brought out considerable changes in the selection of the customers and increased importance was accorded to quality over quantity by the industry. The strong self-regulation of the sector would go a long way in maintaining the sustainability of the sector.

As for the market is concerned the opportunities in the Eastern most corner of the country is immense, with people in this region being very industrious and enterprising; however, limited access to the financial services rendered by the traditional financial institutions had marred their potential and had forced them to live a life of debt and impoverishment. This is one of the reason why RBI had provided greater emphasis in providing financial services in the North Eastern region at the time of offering the Small Finance Bank License and have since been encouraging more and more financial institutions to venture into the North Eastern region by declaring the region as an unbanked region. The bank is dedicated towards the service of providing inclusive growth for all sections of the society, in view of the same the bank has already linked 7.85 lakh customers with banking services through opening of their bank accounts and credit linkages.

We had made a conscious decision to focus on products other than microfinance – JLG lending. While our primary segment of customers would be the underbanked we have come up with products and solution in addition to the plain vanilla microfinance- JLG loans. This step would help our customers avail products of their need and requirement. We at this point of time are geared to take banking to the underbanked to the next level.

It is with pleasure that I inform you of our considerable growth in our liability book. As of March 31, 2020 it was 890 Cr as against 267Cr in the previous year. We added another 30 branches during the fiscal taking the total to 209 branches on March 31, 2020. While our asset portfolio closed at 1348 Cr on March 31, 2020 our CAR was 24.98% on March 31, 2020.

We are ready with a strong foundation for growth in the current fiscal and would be leveraging on the current policies for the agri, agri allied to serve our customers better. At the same time, we will be focusing on increasing our network and use technology. North East Small Finance Bank envisage to become the bank which would provide banking to all in the North Eastern region and be a part of their growth story.

COMPOSITION OF THE BOARD OF NORTH EAST SMALL FINANCE BANK LTD (FY 2019-20)

Sl. No	Name	Designation	Nationality
1	Mr. Bhaskar Jyoti Sarma	Independent Director & Part Time Chairman (PTC)	Indian
2	Ms. Rupali Kalita	Managing Director & Chief Executive Officer.	Indian
3	Mr. Deep Chandra Joshi	Independent Director	Indian
4	Mr. Ranjit Goswami	Independent Director	Indian
5	Dr. Gautam Barua	Independent Director	Indian
6	Mr. Arunprakash Sandilya	Independent Director (Appointed on 18.01.2020)	Indian
7	Mr. Manish Thakkar	Nominee Director	Indian
8	Mr. Njord Andrewes	Nominee Director (Bank has received resignation letter dated March 06, 2020 for the Board Perusal)	Norwegian
9	Mr. Robert Dunn	Nominee Director	Australian



BOARD OF DIRECTORS



Mr. Bhaskar Jyoti Sarma

Independent Director & Part Time Chairman (PTC)

Mr. Bhaskar Jyoti Sarma, a retired Chief General Manager of State Bank of India, has around of 36 years' experience in Banking 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 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).



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 LangpiDehangi Rural Bank during her tenure as Senior Manager in the bank. Ms. Kalita, has to her credit a degree from Boulder 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 attended a certificate course on Strategic Leadership in Financial Inclusion in HARVARD, USA in March 2016. Ms. Kalita joined the RGVN Society to head its microfinance programme in 2004 and was instrumental in successfully turning around the operations of a loss making RGVN-CSP into a profitable NBFC within a period of 2 years by streamlining the existing processes, instilling financial discipline and boosting the staff morale.

It is by dint of her hard work and dedication that RGVN(NE)MFL, which was once a loss making organization had undergone two major transformation within a decade. It is under her guidance and for her persistent efforts that RGVN(NE)MFL was awarded the coveted Small Finance Bank license on 31st March 2017 and had eventually transformed into North East Small Finance Bank, the 1st Small Finance Bank from North East on 17th October, 2017. 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. She has been heading RGVN (NE) MFL since its inception.



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 BhartiyaSamruddhi 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.



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.



Dr. Gautam Barua
Independent Director

Dr. 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. Arun Prakash Sandilya
Independent Director

Mr. Arun Prakash Sandilya has worked in the rural development banking sector for over 35 years. A Post Graduate in Humanities with a degree in Law, he joined as an officer in the Reserve Bank of India (RBI) in 1980 where he served at both the Central Office in Mumbai and in Guwahati. Thereafter, He joined NABARD in 1984, where he served in various capacities at the district and state levels across the country and also at the Head Office (Mumbai). He was also heading the offices in the states of Goa and Meghalaya and was Chief General

Manager in Head Office and Assam Regional Office, from where he retired in October 2015. At NABARD his work experience covered Agriculture and Allied Sectors, promotional and development initiatives, institutional development, Rural Infrastructure projects, Central Government schemes, Micro credit and SHGs etc.

Mr. Sandilya was on the Boards of Regional Rural banks in Arunachal Pradesh, Meghalaya, Haryana and Assam and on the boards of state cooperative banks in Assam, Meghalaya and Punjab. He was also associated with NABARD Consultancy Services (Nabcons). His focus has been on the various aspects of agriculture rural development in the North eastern region. He has been associated with NESFB since 18.01.2020 as an Independent Director.



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.



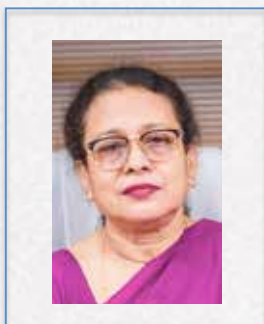
MR. ROBERT DOUGLAS DUNN
Nominee Director
(DIA VIKAS CAPITAL PRIVATE LIMITED)

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, DiaVikas 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.

PROFILES OF KMPs OF NORTH EAST SMALL FINANCE BANK LIMITED

Ms. Rupali Kalita

Managing Director & CEO



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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 LangpiDehangi Rural Bank during her tenure as Senior Manager in the bank. Ms. Kalita, has to her credit a degree from Boulder 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 attended a certificate course on Strategic Leadership in Financial Inclusion in HARVARD, USA in March 2016.

Ms. Kalita joined the RGVN Society to head its microfinance programme in 2004 and was instrumental in successfully turning around the operations of a loss making RGVN-CSP into a profitable NBFC within a period of 2 years by streamlining the existing processes, instilling financial discipline and boosting the staff morale.

It is by dint of her hard work and dedication that RGVN(NE)MFL, which was once a loss making organization had undergone two major transformation within a decade. It is under her guidance and for her persistent efforts that RGVN(NE)MFL was awarded the coveted Small Finance Bank license on 31st March 2017 and had eventually transformed into North East Small Finance Bank, the 1st Small Finance Bank from North East on 17th October, 2017. NESFB has been awarded with Scheduled Commercial Bank Status on 1st July, 2019 by the Reserve Bank of India vide letter No. DBR.NDB. NO.31/16.02.010/2019-20.

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. She has been heading RGVN (NE) MFL since its inception.

Mr. Ketan Kumar Joshi

Chief Financial Officer



CA Ketan Kumar Joshi is a professionally qualified Chartered Accountant from ICAI. He has obtained his CA Associate Degree in May 1994 and CA Fellowship Degree in May 2002. He is a graduate from The Calcutta University & obtained his B.COM (Honours) Degree in the year 1990. He is also having Intermediate Degree of Company Secretary from the Institute of Company Secretaries of India. He is also having a certificate from IIM, Lucknow as well as from NIBM, Pune on IFRS courses. He is a JAIIB (Junior Associates of Indian Institute of Bankers) from India. He has attended various seminars on IFRS, Accounting Standards & Banking training. He is also having a course certificates on Information Technology related programs from Chandra Data Systems Pvt Ltd, Calcutta & Information Technology Institute of Bank of Maharashtra, Pune.

CA Ketan Kumar Joshi was a practicing Chartered Accountant from May 1994 to May 1999 in Kolkata. Since June 1999, he has a rich banking experience of over 21 years. During his tenure as Banker, he has worked in Bank of Maharashtra, Pune, and worked in various areas of banking including Credit, Finance, IPO, Funds raising etc. He was the pioneer member of IPO Cell of the maiden Public Issue of equity Shares launched by Bank of Maharashtra in the year 2003. In March 2008, he joined IndusInd Bank (a Private Sector Bank) in Mumbai, India for better career prospects as a Deputy Vice President & was handling Taxation issues, Funds raising, Finalization of Balance sheets & IFRS related matters. Thereafter, for a small span of 11 months, he has also worked with The Bank of Tokyo Mitsubishi UFJ Ltd (a Multinational Bank) in Mumbai, India as Senior Vice President.

After 2012, he went to Afghanistan and worked with various private sector Banks (viz Ghazanfar Bank, Islamic Bank of Afghanistan (erstwhile Bakhtar Bank) as well as Maiwand Bank), as Chief Finance Officer & where he was associated at senior level. He was a member of Board of Management, Credit Committee, Asset & Liability Committee and IT Steering Committee.

He was also instrumental in bringing Islamic Banking License for Bakhtar Bank & then converting the Bank into a full-fledged Islamic Bank. He concluded his last contract in Maiwand Bank in March 2019.

In August 2019, he joined North East Small Finance Bank as Chief Finance Officer & is looking after Financial Management, taxation, regulatory reporting, serving to Board of Directors. He is also designated by Bank as Key Managerial Person. Thus, CA Ketan Kumar Joshi has over 25 years post qualification experience of finance related matters, taxation, funds raising, IFRS, of which he has rich banking experience of over 21 years.

Mr. Mukesh Singh Verma

Company Secretary & Chief Compliance Officer



Mr. Mukesh Singh Verma appointed as Company Secretary ("CS") of North East Small Finance Bank Limited on October 17, 2017 in compliance to Section 203 of the Companies Act 2013. He is also working as Money Laundering Reporting Officer (MLRO) and Chief Compliance officer (CCO) of the Bank as per the RBI & PMLA norms.

He has overall experience of 16 years in financial Services and has across industry experience in Corporate Affairs, Regulatory Compliances, Corporate Legal, Banking Regulation, AML, IPR, IRDAI Compliances, IPO of Small Finance Bank & Others, Open Offer under SEBI Takeover Code, SEBI Regulations, Labour Law Compliances, FEMA Regulation Compliances etc. He has hand on liaison experience with Government departments, Regulatory authorities and external agencies including ROC, SEBI, BSE, NSE, RTA, CDSL, NSDL, RBI, IRDAI etc.

He has started his Career as Management Trainee (Corporate Affairs) in DLF Limited, New Delhi and has further worked as Company Secretary in various Listed and Unlisted Companies i.e. Eastman Group, Himachal Fibres Limited, GMR Group and before Joining this organization, his last stint was with AU Small Finance Bank Limited as a Deputy Vice President (Corporate Affairs & Compliance).

He is a Commerce Graduate/ B.COM (Honours), Fellow member (FCS) of the Institute of Company Secretaries of India (ICSI, New Delhi), Full Member (MCSI) of Chartered Institute for Securities & Investment (CISI, UK), Certification in "IT & Cyber Security for Senior Management" from the "Institute for Development and Research in Banking Technology" [IDRBT, Hyderabad], Certified Anti-Money Laundering & KYC from Indian Institute of Banking and Finance (IIBF) and has recently Qualified proficiency test for "Independent Directors" from Indian Institute of Corporate Affairs (IICA, IMT Manesar).

Further he has attended various webinars and National convention of ICSI, pursuing Certification Courses, and Post Graduate Management and Legal courses as a continuous study process and professional development.

PROFILES OF SMPs OF NORTH EAST SMALL FINANCE BANK LIMITED

Mr. Tridip Sarmah

Chief People Officer



Mr. Sarmah has 36 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 also 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. Dipanjan Chatterjee

Executive Director - Designated



Mr. Dipanjan Chatterjee is working as the Executive Director (Designated) and has joined North East Small Finance Bank on 06-Sep-2019. He is a visionary and result oriented Banking professional with vast experience in end to end banking operations and business. He has been associated with the banking & finance industry over the last 30 years and has been providing proficient leadership and banking solutions.

Mr Chatterjee has earned several accolades in the national and international platforms over the years and has been a star in his previous organization, Axis Bank where he has last worked as a Senior Vice President – Transaction Banking (East Region). Over the years, he has been spearheading various functions such as Retail Banking, Business Operations, Credit Appraisal, Audit, Risk Management, Fraud Control, Regulatory Compliance to name a few. He had started his career in the year 1995 working as a Senior Accounts Officer in SBI Home Finance Ltd. He has graduated in the year 1988 from Calcutta University with a degree in Accounting.

Mr. Shankardas Gupta

Chief Risk Officer



Mr. Shankardas Gupta has joined North East Small Finance Bank on 16-Jan-2020 and is working in the capacity of Chief Risk Officer. As a professional banker, he has comprehensive knowledge and working experience of 37 years in multiple areas of banking and has held key positions of Chief Risk Officer of Bank of India, Managing Director of Indo Zambia Bank, Lusaka (Zambia), and several senior/top management assignments in USA and India.

He started at Bank of India thirty-six years ago as a direct recruit officer and rose to become the Chief Risk Officer (General Manager), gaining varied banking experience. He has comprehensive knowledge and operational experience in banking, especially Risk Management, Strategic Planning, Compliance, Credit, International banking and Foreign Exchange. He holds a Master's degree in English with an Advanced Diploma in Management and another one with specialization in Banking and Finance. He is a frequent speaker on topics of credit, risk and corporate strategy. He is a highly effective negotiator and communicator with experience of working in cross cultural environments along with strong leadership, problem solving and decision-making abilities.

Mr. Sabyasachi Ray Chaudhuri**Chief Audit Officer & Chief Vigilance Officer**

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

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

Mr. A.M. 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, Trainings and Development.

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 over 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 is 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.

Mr. Debraj Banerjee**Acting Chief Vigilance Officer**

Mr. Debraj Banerjee has joined North East Small Finance Bank on 03-Sep-2018 and is presently working in the capacity of Acting Chief Vigilance Officer. He has a profound expertise in the field of Retail Banking Operation, Quality, Compliance and Audit totalling to a rich experience of 25+ years in banking industry.

Mr Banerjee started his banking career in the year 1995 in Standard Chartered Bank as a Customer Service Officer and has also worked in reputed leading banks like Axis Bank, HDFC Bank and Kotak Mahindra Bank. He has graduated with a degree in Economics from Calcutta University.



EQUITY INVESTORS



BCDT



**RNT Associates
Private Limited**



MANAGEMENT DISCUSSION AND ANALYSIS

During its 3rd year of operations, FY 19-20 has been a challenging year for NORTH EAST SMALL FINANCE BANK LIMITED facing multiple socio economic issues.

Key highlights of financials are presented as below:

(Rs in '000)		
Particulars	FY 2018-19	FY 2019-20
Interest income	27,44,210	30,54,378
Other income	1,26,809	1,96,646
Total income	28,71,019	32,51,024
Expenditure		
Interest Expended	12,53,317	13,67,295
Operating Expenses	9,78,357	13,26,198
Provisions and Contingencies	2,69,937	4,31,640
Total expenditure	25,01,611	31,25,133
Net Profit After Tax	3,69,408	1,25,891
Profit Brought Forward	1,67,676	4,16,513
TOTAL	5,37,084	5,42,404
Transfer to Statutory Reserve	92,352	31,472
Transfer to Investment Fluctuation Reserve	28,219	42,500
Balance Carried to Balance Sheet	4,16,513	4,68,432
TOTAL	5,37,084	5,42,404
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	1.26	0.43
Diluted	1.26	0.43

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS

We have achieved a Portfolio Outstanding of Rs.1348 crores as on 31st March, 2020 which is well below our projected year end portfolio owing to the socio economic issues and Covid-19 crisis that took place during the later part of FY 19-20.

However total deposit has seen a rise to Rs. 890 crores as on 31st March, 2020 as against Rs. 267 crores as on 31st March, 2019 which has increased by 233%.

As on 31st March, 2020, we have a total of 209 branches which consists of 116 Bank Branches and 93 Asset Offices spreading across 9 states (Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Meghalaya, Nagaland and West Bengal).

OPERATIONS

Our Branches reflect Bank's image and serve as an indicator of our growth industry.

Our Branches mobilizes deposits from New to Bank customers as well as of Existing Customers and drive customer engagement strategy across our various products and services.

Central Operations Team supports the Branches in Account Opening, Account Servicing, CTS Clearing, MF Loan Disbursement, Treasury Back Office functioning and Retail Asset Loan Operations (EDL, Home Renovation, Loan against Rent Receivable, Skill Development etc). Moreover, Customer Care Desk is also managed by Central Operations and providing services to Customers both Internal & External and there is no Ombudsman nor any consumer cases reported in the last FY.

As on 31st March 2020, Liability Operations Unit has opened 2,72,733 Savings Accounts and 2040 Current Accounts including 1,53,051 Existing Customer Accounts. Central Ops Team disbursed Microfinance loans for 205 branches through ACH and NEFT modes amounting Rs.635.05 Cr in the last FY. Central Operations is managing the clearing activities centrally for 26 (Twenty-six) CTS clearing locations in PAN Bank and also monitoring all the non CTS locations where ECCS clearing is live. The Central Operations also deals in all Payment Systems viz RTGS, NEFT, IMPS, POS, ACH, Bill Desk etc. services and Its reconciliation & settlement and also handling all disputes for NFS ATM, Rupay. The Branch Monitoring Unit under Central Operations helps Branches in their day to day operations and ensure that branches abide by Bank's guidelines. Some of the important highlights in the last FY- CKYC Customer Data upload in CERSAI Portal, Processing of New Retail Asset products and NEFT 24X7 implementation.

CREDIT

The department worked on the development and modification of a number of existing asset products - Enterprise Development loan for greater than 5 lakhs to 25 Lakhs, Loan against Term Deposits, Personal Loan to Salaried Person, Piggery Loan, Skill Development Loan, Cash Credit Facility, Loan against Rent Receivable to name some.

Out of these, Enterprise Development loan greater than 5 lakhs to 25 Lakhs, Loan against Term Deposits, Personal Loan to Salaried Person, Piggery Loan, Skill Development Loan, Loan against Rent Receivable have been launched in the FY 2019-2020 and the rest of the products were under system development.

The Department further worked on streamlining various processes involved in the stages of loan proposal assessment during the financial year 2019-20 including introduction of loan processing tracker for all products resulting in improving of TAT substantially and propelling growth in the overall advance portfolio of the bank.

The department has also extended its support in terms of product configuration in the system. During the FY 2019-20, the department has sanctioned in excess of Rs.9300 lacs.

A credit monitoring unit has been set-up to monitor and oversee the overall advance portfolio and thereby ensure the health of the advance portfolio.

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 715 new recruits took place during the period for different positions of Branch Head, Asst. Branch Head, SWO, Manager Assets, BDE- A, BDE- L, Manager Liability, Officer, Asset, etc.

Top Position Closure: Critical positions closed like Executive Director, Chief Risk Officer, Chief Financial Officer, Credit Head, Lead - Compliance Monitoring & Testing, Head - Talent Development, Cluster Business Manager, Lead - IS Audit. Cluster Business Manager, Consultant - Nodal & Security Compliance Officer etc.

Training Details

Learning and Talent Development: At North East Small Finance Bank, we are focusing on workplace of tomorrow that promotes a collaborative, Transparent, and participative organization culture encourages creativity and rewards for individual performance. The focus of L&D team in 19-20 was to ensure all learnings are available to qualified learners. hence we moved to role base and Need base learning interventions. We reimagined and brought out workable skill/Knowledge building solutions which will bring a **BUZZ** in learning zone.

The Three key strategic pillars under Learning and Development are:

- a. Inspiring learners to build a mind-set of What's next?
- b. Making sure that the learning solutions are connecting to learners which they can practice at work place.
- c. Building trust among employees that all HR employee development initiative will be navigating together.

Here are some of the initiatives we have pioneered this year.

- 1. Train The Facilitator:** An empowerment program to encourage and build leadership and coaching conversations qualities. This initiative has been taken up for entire Cluster Business Managers and COS pan Bank.
- 2. Launch of Elevate Training Program:** Empowering cluster business managers and COS to move forward and take the charge of skill development of their respective employee across zones. This initiative turned out be a much structured approach in the process of skill building in a shorter time.
- 3. On-boarding/Induction experience:** The launch of role-based induction training program is brought in place with highly engaged On-boarding experience for participants as an inclusive effort both by participants and Top Senior Management team of the bank in all programs. This

initiative is highly engaged in learning experience with senior management team, this gave a head start to NESFB employees as a learning centric organisation and successfully helped in building strong NESFB brand among the employees.

- 4. Learning, Training and Assessment:** We believe continues learning and competency development for its employee. Our structured Learning, Training and Assessment approach in all the program offered during the year has been instrumental in creating the culture of learning in Organisation, hence this resulted in successfully migration of paper pencil test to HRMS base assessment with impact on qualitative knowledge transfer percentage.
- 5. Master Class Training Program:** To build the role wise functional competency **NESFB** successfully offered multiple programs in collaboration with IIBF during the year across branch banking roles.
- 6. S.T.E.P Program:** To cater the immediate requirement of all undergraduate employee in Organisation to enrol and complete their graduation certificate which is must hence this program gave a clear direction and guidance from the organisation side which emphasising on why it is important to complete the required qualification this initiative was taken very positively by all participants.
- 7. Product2Win:** P2W program was introduced to build immediate requirement of all new asset product, process, system knowledge with diversified product learning approach brought a high engagement.
- 8. Mandatory, Compliance and Regulatory program:** During the year L&D ensured equal balance by offering all regulatory and mandatory programs to designated officers in NESFB hence compliance from the regulatory aspect is at the core of NESFB. (Programs offered and attend in CAB, IIBF, RBI, IIMB, IDBRT, FIMMDA)
- 9. Technical Skill building:** As need base learning are offered to ensure continues upskilling on different technical competencies to build among employees. Hence MS. Excel, system and applications program were offered to employees.

Below mention figures which gives more information on learning initiatives in organisation.

1. Total Internal & External Learning program offered during the year is 94.
2. Total number of participants invited in all programs is 1788.
3. Total number of participants attended the multiple program is 1579.
4. The learner attendance percentage stood at 88%.
5. Total learning hours clocked during the year is 21,914/-

PMS roll out: KRA and KPI were distributed to the employees. Fully integrated online PMS implemented for eligible 1265 employees.

Employee Engagement:

This year we have a host of employee engagement activities. We have employees joining from Head Office and branches as professional participants for Guwahati Marathon, we have a parent counselling session, we have observed Road Safety Week and have conducted other contests/competitions among the employees. Internal communication channels of Prabah and Darpan are bringing employees'

recognition to all and getting a noticeable platform for their creativity and intelligence. Through Intranet and social / professional media platforms, we are keeping the workforce engaged and updated. Training programs designed and developed for employees this year also have a huge positive impact. All these amalgamated efforts are instrumental in fostering a positive work culture.

This year NESFB Cricket Team has won the prestigious DSP Cricket Tournament!!

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.

Career Progression:

375 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.

The Way Forward:

Since NESFB had experienced two PMS cycles the HR way forward will be as follows:

1. Organisational Talent Review: A drive on OTR to take the talents to the next higher level.
2. JEET under employee engagement vertical.
3. Productivity analysis for enhancement of the productivity.
4. Market facing title for uniformity.
5. Robust on-boarding process.
6. HR E-tisaction.

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

NESFB has a dedicated technology team. These team aligns with business needs to provide effective and timely solutions to business problems and help launch customised products. NESFB leverages technology to deliver solutions and services for its employees and customers across different platforms. The centralised infrastructure deployment is outsourced to a System Integrator for the bank. The Tier 4 Data Center and Data Recovery is hosted at CtrlS Mumbai and Hyderabad respectively.

The bank has implemented FIS Profile core banking systems. Bank has implemented feature rich digital channel applications like Retail Internet Banking, Mobile Banking (both on Android and iOS) and SMS banking, through which customer perform their banking transactions easily. NEFT, RTGS and IMPS payment systems are enabled at the branches and digital channels. The bank has launched its NESFB Rupay Debit card. Bank is in processing of rolling out its own ATM network. Bank has implemented Tab Banking project to reach the door steps on the unbanked population in remote areas. It aims to bring all the transactions for our rural customers under a single core platform, including the on-boarding of customers.

INTERNAL AUDIT

The function of Internal Audit Department of the bank is to provide an independent view to the 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. The Internal Audit Department, manned by appropriately qualified personnel, during the course of audit 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.

This year, the audit horizon was further enhanced with the introduction of Thematic Audit and a dedicated Chief Vigilance Officer [CVO]. Apart from Vigilance Audit & Fraud Investigation, on the behest of CVO, 5 workshops were conducted across zones for workforce of all levels to create awareness & impart the knowledge of basic banking, banking operations, risks & audit readiness.

Snapshot on Audit Conducted during the financial year 2019-20:

Type of Audit	Audit Done (YTD)
Micro Asset Audit (With Score + Non Scoring)	430
Risk Based Audit (RBA)	95
System (Management) Audit	13
Thematic Audit	4
Vigilance Audit & Fraud Investigation	21
Concurrent Audit - HO	36
Concurrent Audit - Branch	720

RISK MANAGEMENT

The Department is based out of Head Office and covers all branches of the bank covering the entire spectrum of risk: credit, market, liquidity, interest rate, ALM, operational risk and information security risk.

The department works on identification, measurement, monitoring and management of risk with three Risk Committees namely

1. **Risk Management Committee of the Board (RMCB)** – a Board Level Committee having an oversight on the overall Risk Areas. RMCB reviews & approves the Policies, Risk limits, Risk tolerances, Thematic Reviews, Governance and Reporting structure.
2. **Executive Risk Management Committee (ERMC)** - a Management level Committee to address various risks, present positions of the limits, reviews and deliberations for mitigations. ERMC reports into RMCB.
3. **Asset Liability Committee (ALCO)** – a Management level Committee to review and address Market Risk, Interest rate Risk and Liquidity Risk. The Committee is primarily responsible for Balance Sheet risks arising out of Assets and Liabilities and reports into RMCB.

Key Deliverables of RMD for the year 2019-20:

In the FY 2019-20, following are the key deliverables of the Risk Department:

1. Risk Appetite Statement
2. Risk Control and Self-Assessment (RCSA) & KRIs
3. Loss Data Analysis and Thematic Review on the Data Sets.
4. Thematic Risk Reviews pertaining to Branch Operations and Portfolio Credit Risk
5. Credit Risk Review pertaining to Evolving Business Environment – Upper Assam, CAA and External Events
6. Risk Based Pricing – Road Map for migrating from MCLR to EBLR with Repo Rate as Benchmark
7. Pandemic Policy and Business Continuity Plan (Revised and Updated in view of Covid-19 Pandemic)
8. Risk Evaluation & Mitigation Plan on Challenges arising out of Covid-19 Pandemic.
9. Six Stage Business Sustainability and Resilience Action Plan.
10. Strategic Risk Management pertaining to Risk Outlook and Challenges for NESFB
11. Promoting Risk Culture across the Bank
12. Internal Capital Adequacy Assessment Process (ICAAP) submission.

CORPORATE SOCIAL RESPONSIBILITY

North East Small Finance Bank – The journey

North East Small Finance Bank has its roots deep in the NGO sector when it began its journey in the year 1990 as Rashtriya Grameen Vikas Nidhi (RGVN) a registered Not for Profit organisation. The institution's mandate was to develop and nurture NGOs and CBOs to alleviate poverty in the eastern states of India.

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. Dedicated towards the service of providing inclusive growth for all sections of the society, RGVN (NE) MFL was set up in the year 1995 as RGVN-CSP and registered as a public limited company in 2008. The organization registered its first success in the year 2010, when it received the license from RBI to operate as an NBFC-MFI. Ever since there has been no looking back for the organization, as it marched forward to receive the Small Finance Bank license from RBI on 31st March, 2017.

NESFB's CSR Philosophy

NESFB believes in the philosophy of creating value and sustainable growth for all its stakeholders. The people of North East have been the cynosure of all its plans and developments. Giving back to the society has been the only philosophy of NESFB that drives the organisation to contribute positively and to make a difference in the lives of its customers through its various developmental projects and programmes. Since business organizations are economic organs of society, the progress and sustainability of the organisation is measured by its contribution to the society and environment along with its economic growth. NESFB believes in conducting its business responsibly, fairly and in a transparent manner with minimal impact on the environment.

Basic Philosophy

N urture	<ul style="list-style-type: none"> • Nurturing of new innovative ideas • New approaches
E cology	<ul style="list-style-type: none"> • Creating a low-carbon society • Implementing Environmental Management
S ustainable	<ul style="list-style-type: none"> • Creating sustainable projects/programs • Creating value for all its stakeholders
F orward thinking	<ul style="list-style-type: none"> • Progressive and pro-active actions • Building for the future
B ankable	<ul style="list-style-type: none"> • Fair and Responsible practices • Transparency

CSR Activities 2019-20

The year 2019-20 has been a year of many challenges for the people of North East such as devastating flood that affected 33 districts of Assam, public outcry and protest due to Citizenship Amendment Act., conspiracy against Micro Finance Institutions by some influential persons resulting in unrest among the masses that affected communication with the customers and then the life threatening Corona virus which brought the whole country into a stand still. Despite all these challenges, we have been able to support our customer's through our timely and appropriate interventions.

General Health Camp

We organise General Health Camp for the public through partnerships with some reputed hospitals in its operational states.

- GNRC and Marwari Hospital in Assam and Meghalaya
- North Bengal Medica in North Bengal and Sikkim
- Asian Hospital, Horizon Hospital and Research Institute, Little Clinic and Babina Diagnostics Pvt. Ltd in Manipur

In other areas, we take the support of local MBBS Doctors while conducting the general health camps. Along with the general consultation, BP check, RBS check and ECG tests are conducted in the health camps. We provide free medicine to all the patients attending the general health camps.

In the FY 2019-20, we have conducted 119 General Health Camps, out of which 44 Health camps were conducted with the support of local Doctors. We have impacted the health of more than 15400 customers through these camps last FY 2019-20.

Activities	Number of Camps	Clients Impacted
ASMI Health Camp	5	394
GNRC Health Camp	54	8727
Marwari Hospital Camp	9	956
Medica North Bengal Camp	3	313
Camps with Local Doctors	46	5049

Eye Camp and Cataract Surgery

We organise Eye Camps with the support of Sri Shankaradeva Nethralaya, Guwahati. The eye camp generally conducts vision screening, cataract screening, refraction tests, BP Check and RBS Checks. We also support customers for their free of cost cataract surgery in Shankar Nethralaya. We have conducted 7 eye camps in association of Sri Shankaradeva Nethralaya, Guwahati treating more than 700 patients and supported 86 customers with cataract surgery in 2019-20.

Livestock Treatment and Training Camp

We organise and conduct free of cost livestock treatment and training camps for the livestock and poultry of our customers with our own in-house veterinary Doctor. Since, livestock rearing is one of the major support system of rural families for their livelihood and in general these treatments and training camps attracts good number of peoples for treating their animals and birds. In 2019-20, we have conducted 74 animal treatment camps and 23 animal training camps and touched more than 1000 customers.

Skill Development – Handloom

NESFB is committed to enhance the skill level of its customers who are involved in handloom weaving. Handloom weaving is an integral part of Assamese culture but it is reeling under the challenges and competition of machine made products. Handloom weaving can become a major source of income generation for the poor families in rural area if provided with right kind of handholding, training and marketing of their products. NESFB in association with Mulberry - a local NGO pioneer in the field of weaving for conducting weaving training programme have trained and enhanced skill level of more than 97 weavers across 2 districts. We have launched a brand named "Aloron" to sell the products weaved by the rural weavers. Aloron is the platform through which the rural weavers will establish their identity and will provide them a sustainable income source. Each and every weaver will become an entrepreneur in their own capacity. Till date they have earned a total of Rs. 1,54,570 by selling their products made in the training programme.

Financial & Digital Literacy Camp

We, being a Financial Institution working in the rural interiors of the country have to deal with all kinds of people - literate, illiterate, and semi- literate. With the influx of technology in the rural areas, the rural people have been on the receiving end of many thefts and frauds of their hard earned money. We as an organisation having worked in the interiors of Assam since the 90's understands the core of the problem and have been organising and conducting various Financial literacy and Awareness training programmes with our customers. In the FY 2019-20, along with our regular Financial Literacy training programmes, we have coordinated with NABARD in support of their FIF programme and have conducted Financial and Digital Literacy Awareness (FDLA) camps across the state of Assam.

In the NABARD supported programme, we have conducted a total of 49 FDLA camps reaching to a total of 3799 customers and in other Financial Awareness camps we have reached more than 3500 customers through 44 camps.

OUTREACH PERCENTAGE ZONE WISE			
Sl. No.	Zone	Number of Camps (Health & Eye Camp, Financial Literacy)	Percentage of all CSR activities
1	Bongaigaon	14	6.5
2	Dibrugarh	29	13.4
3	Guwahati	17	7.8
4	Jorhat	36	16.6
5	Lakhimpur	28	12.9
6	Nagaon	59	27.2
7	Rangiya	28	12.9
8	Silchar	3	1.4
9	Siliguri	3	1.4
Total		217	100

Special/Emergency Activities

- Flood Relief** – Last year too, Assam state has experienced major flood in 33 districts affecting more than 42000 people. We have distributed clothes worth more than Rs. 2 lakhs to the affected people in Morigaon district and Goalpara district donated by our staffs and a few organisations from Kolkata.



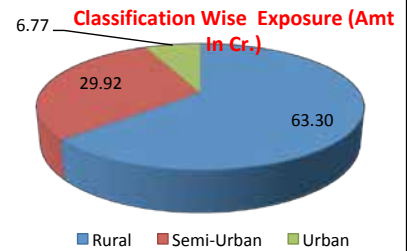
- Sanitation** –We have supported the Tiwa Autonomous Council Office in Morigaon and BDO Office in Jamugurihat by distributing a total of 9 dustbins on the request of Mr. Pawan Manta, Tiwa Council CEM, Morigaon and BDO officer, Jamugurihat respectively.
- Covid 19** – The corona virus/Covid 19 has become the biggest threat to human kind in recent times. In order to equip the staffs to fight with the virus, we distributed Hand Sanitisers to all our branches and have allotted Rs. 3000 per Asset Branch to distribute soaps to our customers in the villages.

Non- Financial Services

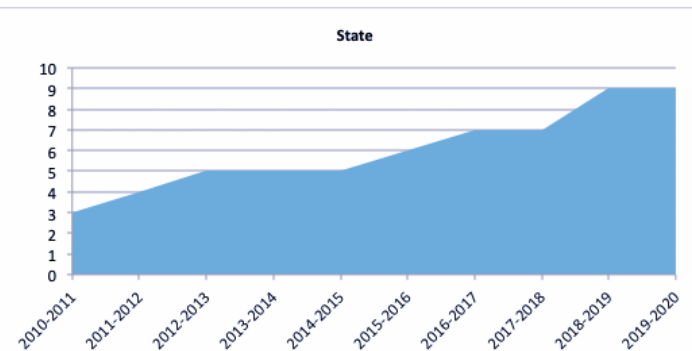
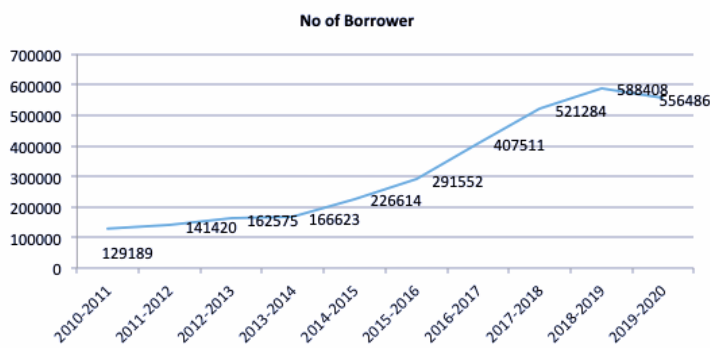
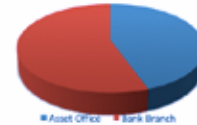
The Non-Financial Services are categorized into Enterprise Services, Education Services, Health Services and Women's Empowerment Services. The sub-categorization of the services is mentioned below:

Non - Financial Services	Number of Beneficiaries
Enterprise services	347
Enterprise skills development	
Business development services	
Other enterprise services	
Education services	11197
Financial literacy education	
Basic health/nutrition education	
Child and youth education	
Occupational safety and health in the workplace education	
Health services	15439
Basic medical services	
Special medical services for women and children	
Other medical services	
Women's empowerment services	4176
Leadership training for women	
Women's rights education/gender issues training	
Other women's empowerment services	
Other Non-financial services	1072

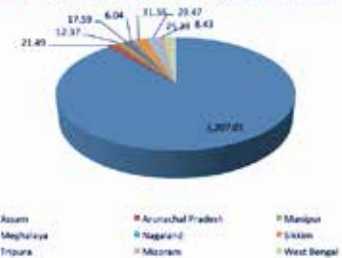
OPERATIONAL HIGHLIGHTS



NOS OF BRANCH AS ON MARCH'20

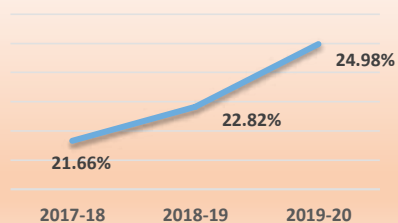


State Wise Exposure (Amt. in Cr.)

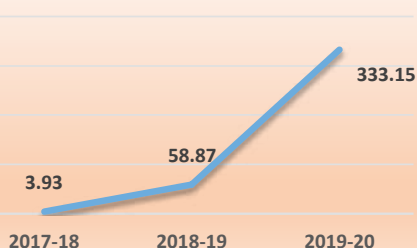


FINANCIALS HIGHLIGHTS

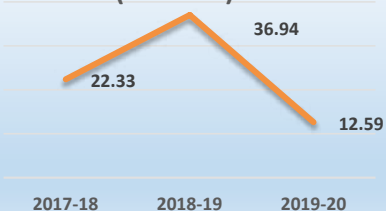
Capital Adequacy Ratio (%)



CASA Growth (In Crore)



Successive Profit for 3 years (In Crore)



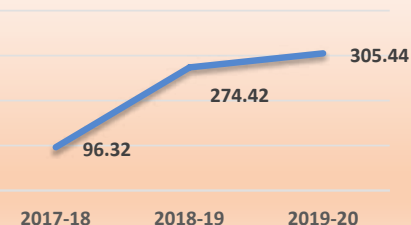
Grandfathered Borrowings (In Crore)



Business Growth (In Crore)



Interest Income (In Crore)



Revenue from Treasury Operations (In Crore)



Book Value per share of INR 10



INSPIRING STORIES OF SUCCESS



Ms Anamika Rabha

Ms Anamika Rabha and her husband Mr. Amulya Rabha resident of Kaitpara, Boko, Assam had been into the profession of making traditional musical instruments with locally available bamboo since 2005. Though the couple had the expertise of making traditional musical instruments like 'Pepa', 'Gagana', 'Dotor', 'Bahi', 'Pepa', 'Siphung', 'Serenda' etc of bamboo of good quality, they faced limitations to expand their business due to financial constraints, and were earning a meager income in an unorganised way.

In due course of time in the year 2016 they came across NESFB representatives who briefed them about various loan schemes which they could avail for organising and expanding their business in a more professional manner. The couple after registering a firm in the name of "AR Creation" in the year 2016 availed their first loan of Rs.25000/- (Rupees Twenty-five thousand only) under the scheme of Joint Liability group loan from NESFB. With the financial support from NESFB the couple started to slowly expand their business in a more organised way and started receiving orders in their registered firm's name. In due course of time, and as their business prospered they further availed their second loan of Rs.45000/- (Rupees Forty-five thousand only) in the year 2018 under the scheme of Joint Liability group loan from NESFB. Thereafter due to their organised approach and expertise in making traditional musical instruments with bamboo their products gained popularity and got showcased in many government and private exhibitions. Their firm got orders from different organisations and vendors not only from Assam but from other states as well. Further as their business grew and gained popularity and with a good track record of repayment of loan to NESFB, their firm could avail another loan of Rs.70000/- under the Micro Business loan scheme from NESFB in the year 2020.

Presently "AR Creation" bamboo musical instruments of Ms Anamika Rabha and her husband Mr. Amulya Rabha have gained wide recognition and have been able to establish themselves as a brand nationally and internationally. They have been successful in delivering various musical instruments abroad to Singapore, Thailand, China and have substantially increased their business volume and growth.



Mr. Abdul Razzak

Mr. Abdul Razzak, aged about 43 years and a resident of Ghunusa, Jagiroad started working a decade ago as a small time contractor of masonry work. But he later decided to change his profession and started supporting his elder brother in trading bamboo supply at HPCL, Jagiroad, Assam. Still unhappy about the kind of work he was associated with, he decided to move to Kolkata as he was interested to undergo training and learn about various fishery techniques of fish farming and fingerlings. After spending couple of years in Kolkata and learning the techniques and prospects of fish farming, he decided to return to his home town and start his own fishery.

After returning to his hometown and exploring all the business possibilities, he started his fishery initially by acquiring five bighas of land on lease and started his fish farming with due help and support from his friends and associates from Kolkata. Fortunately, within a year of his starting his new venture with the help and support from his wife, his fishery business yielded him around 40-50 % profit on the sale of the matured fish. Learning about the scope and profitability of the business, he gradually expanded his fishery business to about 170 Bigha of land (few owned and other leased). With the experience he gained in fish farming he wanted to explore into new business venture of fish fingerlings and fish feeds in his locality. He had the ideas and the will to start the new venture but required fresh investment for the expansion of his existing fisheries.

In due course of time and after interaction with the officials of Ghunusa branch, NESFB, he was briefed about the scope and possibility of availing loans under various schemes of NESFB which could be beneficial for him to start his new business as planned. Initially he was a little sceptical about loan but in due course of time and after his better understanding he approached our NESFB Ghunusa branch, and opened a Current account and submitted the necessary documents for availing the loan. After proper scrutiny, his loan for an amount of Rs.5 lakhs was sanctioned and disbursed under the Enterprise Development Loan Scheme in the financial year 2019-20 which helped him immensely to meet up the financial need for starting his new business of fish fingerlings and fish feeds in his locality. With his sheer determination and strength, he had achieved what he desired for and today he has around 8 employees working with him.

Presently as informed, Mr Abdul Razzak is the HNI customer of Ghunusa Branch and is regularly paying off his dues. He is regarded as one of the most successful business man in the area of fish farming in Jagiroad and has paved the way for other local youth and set an example as an entrepreneur.



Ms Seema Rani Kalita Bangjan



Ms Seema Rani Kalita Bangjan resident of Chandrapur, Assam was a regular house wife looking after her husband and two children. The income of the family was fully depended on her husband, who was into farming for a livelihood. Seema had a business bent of mind since childhood, and this made her venture into the business of duckery in order to enhance the family income.

During 2015, Seema Rani came across with a NESFB Official who briefed her about various loan schemes which she could avail to start any business to support

her husband financially. In the year 2015 she availed her first loan of Rs.30000/- (Rupees thirty thousand only) under the scheme of Joint Liability group loan from NESFB. With the financial support from NESFB, she started duckery business and started receiving small orders. Within few months, her business prospered and she further availed her second loan of Rs.50000/- (Rupees Fifty thousand only) in the year 2017 under the scheme of Joint Liability group loan from NESFB.

Further with her growing business and with a good track record of repayment of loan to NESFB, she availed another loan of Rs.50000/- under the Joint Liability loan scheme from NESFB in the year 2019. After taking the third loan she expanded the duckery business and bought an incubator for egg hatching.



Ms. Namita D. Saikia

"Jute is a versatile and aesthetic fabric that's perfect for both daily use and special occasions."

Ms. Namita D. Saikia, aged around 36-year, with her expertise in tailoring had been supporting her husband and two children in her hometown Bozaltoli, Tinsukia, Assam. In spite of all the challenges, she had a desire to educate her two children and to make them self-sufficient and discard the hardship that she had been facing. She planned to utilize her expertise in stitching and tailoring and explore all the possibilities to enhance her skills and try hands on something more profitable and productive. Thereby she came across a training programme in the year 2016 which imparted skills in making jute products. She enrolled for the training and after the training, she quickly picked up the art of making jute products such as bags and file covers etc quite easily as she was quite proficient in stitching. With her growing confidence and strong desire to utilize her expertise professionally she planned to set up her own jute product unit in a small way. To start her business, she need some financial help, for which she approached NESFB for financial support. NESFB through their JLG scheme supported her financially with a loan amount of Rs. 25,000/- which played a crucial role in helping her take a step towards fulfilling her dreams. Thereafter Ms. Namita has been working tirelessly towards fulfilling her dreams and initially she started with producing bags and file covers by procuring small orders locally which gradually increased and her business started to flourish. Her business sustained and she started to reap the profits of her hard work. She then availed further loans from NESFB (her current loan amount being Rs. 50,000/-) which helped her further improve her livelihood and support her family by being a housewife-turned-entrepreneur. She has tided over the difficult times with courage and determination and now she has been able to give employment to three other women for supporting her growing business.

"She is thankful to NESFB for providing her assistance during her tough times and expects support in future also, as she had planned to grow her business and have a dream of establishing a training centre at her locality".





DIRECTOR'S REPORT

DIRECTOR'S REPORT

To
The Members,
North East Small Finance Bank
(A Scheduled Commercial Bank)

The 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, 2020.

1. FINANCIAL HIGHLIGHTS -

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

(Rs in 'Cr)		
Particulars	FY 2019-20	FY 2018-19
Interest income	305.44	274.42
Other income	19.66	12.68
Total income	325.10	287.10
Expenditure		
Interest Expended	136.73	125.33
Operating Expenses	132.62	97.84
Provisions and Contingencies	43.16	26.99
Total expenditure	312.51	250.16
Net Profit After Tax	12.59	36.94
Profit Brought Forward	41.65	16.77
TOTAL	54.24	53.71
Transfer to Statutory Reserve	3.15	9.24
Transfer to Investment Fluctuation Reserve	4.25	2.82
Balance Carried to Balance Sheet	46.84	41.65
TOTAL	54.24	53.71
Earning Per Share (Face Value Per Share Rs.10 each)		
Basic	0.43	1.26
Diluted	0.43	1.26

2. OPERATIONAL HIGHLIGHTS

The total net loan portfolio outstanding of NESFB as on 31st March 2020 stands at Rs.1348.28 crore. The cumulative disbursement for the Financial Year 2019-20 stands at Rs.1123.49 crore with PAR > 30 days of 14.38%.

The loan portfolio decreased from Rs.1383.97 crore to Rs.1348.28 crore with a negative growth rate of -3% for the FY 2019-20.

The portfolio outstanding per branch office decreased from Rs. 7.73 crore to Rs. 6.45 crore in the FY 2019-20.

The total deposit has increased by 233 % to Rs. 890.14 crore from Rs. 267.37 crore during the year. CASA ratio to total deposit is at 37%.

NESFB expanded its area of operations to 9 states in the FY 2019-20. The number of branches increased from 179 to 209 in the FY 2019-20.

NESFB has 209 operating branches, which includes 116 Banking outlets (BO) and 93 Asset offices (AO) spread across 9 states, namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur, Mizoram and West Bengal.

As on March 31, 2020

Particulars	Unbanked Rural Centers (URC)	Non-Unbanked Rural Centers.	Total
Banking Outlet	92	24	116
Asset Office	78	15	93
Total	170	39	209

The total staff strength increased from 1,595 to 2,104 in the FY reflecting a growth rate of 32%.

The bank has been distributing third party insurance business as a part of the para-banking activities with the approval of RBI and IRDAI since FY 2019.

The table below depicts the total number of branches as on March 31, 2020.

State	Banking Outlet	Asset Office	Grand Total
Arunachal Pradesh	3	1	4
Assam	93	70	163
Manipur	3	0	3
Meghalaya	7	1	8
Mizoram	1	2	3
Nagaland	0	1	1
Sikkim	3	4	7
Tripura	5	4	9
West Bengal	1	10	11
Grand Total	116	93	209

3. DIVIDEND

Considering the growth and operations of the Company and the economic situation due to covid-19 pandemic and as per RBI guidelines in regard to covid19, the Board has not recommended any dividend for the FY 2019-20.

4. AMOUNT TRANSFERRED TO RESERVES

The last financial year has also been a profitable one for the company and the bank has earned a profit after tax of Rs.12.59 Crores. It has transferred an amount of Rs.3.15 Crores to statutory reserve fund & Rs. 4.25 Crores in Investment Fluctuation reserve 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 2019-20.

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.

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 the next Annual General

Meeting in 2020. Re-appointment of Auditors for the FY 2020-21 shall be taken in due course after RBI approval followed by shareholders Approval in AGM.

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 statutory Audit Report made by M/s MSKA & Associates, Chartered Accountants, Statutory auditors are self explanatory in nature. There are no adverse observations.

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

The Auditors have not marked any adverse comment in the Audit Report. They have only drawn attention as emphasis of matter through Note No 32 of Schedule 17 of the financial Statements, which describes that the extent to which the COVID-19 pandemic will impact the Bank's financials will depend on future developments, which are highly uncertain.

14. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES

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

15. DIRECTORS AND KMP: Appointment of Director and KMP during the FY 2019-20.

Name	Designation	Date of Appointment
Mr. Arun Prakash Sandilya	Independent Director	18/01/2020
Mr. Akshay Mehta	Acting Chief Financial Officer	29.05.2019*
Mr. Ketan Kumar Joshi	Chief Financial Officer (CFO)	23.08.2019

*Mr. Akshay Mehta resigned on 23.08.2019 and stands relieved from duty.

COMPOSITION OF THE BOARD AS ON 31.03.2020

SR. NO.	Name	Designation	Date of Appointment
1	Mr. Bhaskar Jyoti Sarma	Independent Director & Part Time Chairman (PTC)	24-08-2018 <i>[Appointed as PTC on</i>

			05.07.2019 as per the RBI approval]
2	Ms. Rupali Kalita	Managing Director & Chief Executive Officer	17-10.2017 [As per the RBI Approval]
3	Mr. Ranjit Goswami	Independent Director	25-07-2016
4	Mr. Gautam Barua	Independent Director	30-06-2017
5	Mr. Deep Chandra Joshi	Independent Director	25-07-2016
6	Mr. Arun Prakash Sandilya	Independent Director	18-01-2020
7	Mr. Robert Douglas Dunn	Promoter Director	30-06-2017
8	Mr. Manish Purshottam Thakkar	Promoter Director	24-08-2018

DETAILS OF KEY MANAGERIAL PERSON U/S 203 OF COMPANIES ACT 2013 AS ON 31.03.2020.

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. Ketan Kumar Joshi	Chief Financial Officer	23/08/2019

16. NUMBER OF BOARD MEETINGS

During the Financial Year 2019-20, six **(6)** meetings of the Board of Directors of the Company were held i.e. on 22.04.2019, 29.05.2019, 05.07.2019, 23.08.2019, 19.12.2019, 18.01.2020.

The details of Attendance of each Director at the Board Meeting for the **FY 2019-20**

are as follows:

Sl.No.	Name	Total meetings held	Date of Meetings attended	Meetings attended
1	Mr. Deep Chandra Joshi	6	29.05.2019 05.07.2019 23.08.2019 19.12.2019 18.01.2020	5
2	Mr. Ranjit Goswami	6	05.07.2019 23.08.2019 19.12.2019 18.01.2020	4
3	Ms. Rupali Kalita	6	22.04.2019 29.05.2019 05.07.2019 23.08.2019 19.12.2019 18.01.2020	6
4	Mr. Gautam Barua	6	22.04.2019 05.07.2019	5

			23.08.2019 19.12.2019 18.01.2020	
5	Mr Arun Prakash Sandilya*	6	18.01.2020	1
6	Mr. Njord Andrewes	6	29.05.2019 05.07.2019 23.08.2019 19.12.2019 18.01.2020	5
7	Mr. Robert Douglas Dunn	6	29.05.2019 05.07.2019 23.08.2019 19.12.2019 18.01.2020	5
8	Mr. Bhaskar Jyoti Sarma	6	22.04.2019 29.05.2019 05.07.2019 23.08.2019 19.12.2019 18.01.2020	6
9	Mr. Manish Purshottam Thakkar	6	29.05.2019 23.08.2019 18.01.2020	3
10	Ms Sutapa Banerjee#	6	22.04.2019 29.05.2019	2

*Appointed in this meeting. # Resigned on 30th May 2019.

17. ANNUAL GENERAL MEETING

The Company's 3rd Annual General Meeting was held on 27th September 2019 in Guwahati.

18. 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.

19. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

There is no significant related party transaction to be reported during the year as all are in the ordinary course of business and are at arm's length. The same is disclosed in the para no. 26.7 [Related party transaction] of notes to Accounts of Schedule 17 of the Audited Financial Report.

20. 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 2020 was Nil.

21. SECRETARIAL AUDITOR

The Secretarial Audit was carried out by M/s. Narayan Sharma & Associates, Company Secretaries for the financial year 2019-2020. 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 and self explanatory in nature.

22. 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.

23. 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. Manish Purshottam Thakkar retires by rotation at this Annual General meeting and being eligible offers himself for re-appointment as a Director. The Board recommends his re-appointment in the best interest of the Company.

24. 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 at 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 have 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 report, 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.

25. 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 2019-20.

26. WHISTLE BLOWER POLICY (VIGIL MECHANISM)

The Bank, as a part of prudent practice, established a 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 operation of the Bank. The department is fully functional and conducts investigation arising out of fraud and whistle blower complaints in a fair manner.

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

No order passed by any regulators or Courts/ Tribunal against the Bank.

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 (RMD) 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, Assets & Liability Committee (ALCO) for liquidity and market risk. Board level oversight on Risk is through approval of 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
- Measuring the risk identified as per the policy and conducting Risk Management Committee meeting 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.
- To 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

- Create 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 constituted a Nomination & Remuneration Committee with the principal responsibilities and functions being :-

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, 5 **(Five)** meetings of the Nomination & Remuneration Committee were convened on 28.05.2019, 22.08.2019, 17.09.2019, 18.12.2019 and 17.01.2020. We provide hereunder details of the attendance of the Nomination & Remuneration Committee members at such meetings:

SN	Name	Total meetings held	Date of meetings held	Meetings attended
1	Mr. Ranjit Goswami	5	22.08.2019 17.09.2019 18.12.2019 17.01.2020	4
2	Mr. Njord Andrewes	5	22.08.2019 17.09.2019 18.12.2019 17.01.2020	4

3	Mr. Bhaskar Jyoti Sarma	5	28.05.2019 22.08.2019 17.09.2019 18.12.2019 17.01.2020	5
4	Mr. Manish Purshottam Thakkar	5	28.05.2019 22.08.2019 17.09.2019 18.12.2019 17.01.2020	5

30. AUDIT COMMITTEE

The Board of Directors in its 5th Board Meeting held on 12th April 2017 constituted Audit Committee with the principal responsibilities and functions being:

1. Recommend 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, 4 **(Four)** meetings of the Audit Committee were convened on 28.05.2019, 05.07.2019, 22.08.2019 and 18.12.2019. 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	4	05.07.2019 22.08.2019 18.12.2019	3
2	Ms. Sutapa Banerjee	4	28.05.2019	1*
3	Mr. Robert Dunn	4	28.05.2019 05.07.2019 22.08.2019 18.12.2019	4
4	Mr. Bhaskar Jyoti Sarma	4	28.05.2019 05.07.2019 22.08.2019 18.12.2019	4

*Resigned on 30.05.2019

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 a 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 comprises of 8 (eight) Directors consisting of 5(Five) Independent Directors as on 31st March 2020 thereby maintaining the majority of directors as independent 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 transactions, and sharing and reporting information as required under the law/regulations to FIU-IND as prescribed. Board has also defined "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 next financial year. A separate meeting of Independent directors could not happen due to Covid-19 pandemic across the world. MCA has, vide its circular dated 24.03.2020 exempted the Independent directors meeting during the FY 2019-20. However, the evaluation process for independent directors shall take place during the FY 2020-21.

33. A STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) & (7) 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.

In compliance to the amendment in rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 under Section 149 vide MCA circular dated October 22, 2019 related to proficiency test for independent directors, all the independent directors have registered through MCA portal in the website of Indian Institute of Corporate Affairs (IICA), Manesar. A registration Certificate issued by IICA, Manesar for registration in the IICA Portal has been received from all the independent directors.

34. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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 2019-20, the total number of Health Service camps covering both Eye and General Health Camp's stands at 117, animal health camp 81, financial literacy camp 35, and financial and digital literacy camp 49. CSR Committee comprises of 3 directors and majority are Independent Directors.

35. Other Statutory Disclosures:

- a) The Bank has not changed its nature of business during FY2019-20.
- b) Pursuant to Section 186(11) 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.
- c) All related party transactions that were entered into during FY2019-20 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.
- d) There were no significant / material orders passed by the Regulators / a Court / Tribunal etc. during FY2019-20, which would impact the going concern status of the Bank and its future operations.
- e) The Bank is the subsidiary company of RGVN (North East) Microfinance Limited.
- f) All recommendations of the Audit Committee were approved by the Board.

- g) Proper internal financial controls are in place as per the Banking Norms.
- h) North East Small Finance Bank Limited has been included in the Second Schedule to the Reserve Bank of India Act, 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.

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: 23.06.2020

SECRETARIAL AUDIT REPORT

FORM NO. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2020
[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 **31st March 2020** ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper



Narayan Sharma

B.Com (Hons.), F.C.S

Narayan Sharma & Associates

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump
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 Phone : +91 361 2343127, +91 9435018319
 E-mail : csnarayansharma@gmail.com

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 **31st March 2020** according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following industry specific laws and rules, regulations, directions, guidelines, circulars and instructions framed thereunder:
 - (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.
- vi. Other laws, including Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.
- vii. 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.



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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 observation:

The intermittent vacancy caused by the resignation of Ms. Sutapa Banerjee, Independent Director w.e.f. 30.05.2019 was filled up by the Board on 18.01.2020 which was done beyond the time stipulated under the Companies Act. However, it was informed that the Bank applied for extension of time with the RBI, the regulatory body for the Bank and subsequently appointed the new Independent Director after complying with the RBI stipulation and reporting requirement.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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 except for the delay in filling up of vacancy of Independent Director, however the same was intimated to RBI in advance for the condonation of delay.

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.



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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: 20th July, 2020



For Narayan Sharma & Associates
Practicing Company Secretaries

CS Narayan Sharma
(Proprietor)
FCS No.5117 C P No.:3844
UDIN: F005117B000475356

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.

Narayan Sharma

B.Com (Hons.), F.C.S

Narayan Sharma & Associates

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'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.



Narayan Sharma

B.Com (Hons.), F.C.S

Narayan Sharma & Associates

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump

Christianbasti, G.S. Road, Dispur, Guwahati-781005

Phone : +91 361 2343127, +91 9435018319

E-mail : csnarayansharma@gmail.com

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.
7. On account of severe restrictions imposed by the Government Authorities on opening of offices, travel and movement (hereinafter "Lockdown") due to Covid19 pandemic (which commenced during the last week of March, 2020), we for the purpose of completion of our audit had to rely on documents and papers provided in electronic form through email/other virtual means for verification of compliances.

Place: Guwahati
Date: 20/07/2020



For **Narayan Sharma & Associates**
Practicing Company Secretaries

A handwritten signature in blue ink, appearing to read "Narayan Sharma".

CS Narayan Sharma
(Proprietor)
FCS No.5117 C P No.:3844
UDIN: F005117B000475356

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2020





Floor 4, Duckback House,
41, Shakespeare Sarani
Kolkata 700017, INDIA
Tel: +91 33 4600 3505

INDEPENDENT AUDITOR'S REPORT

To the Members of North East Small Finance Bank Limited

Report on the Audit of the Financial Statements

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, 2020, and the Statement of Profit and Loss and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

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

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's 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 Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

We draw attention to Note 32 of Schedule 17 to the financial statements, which states the extent to which the SARS-Cov-2 virus responsible for the COVID-19 Pandemic will impact the bank's financial statements. Consequentially, the impact will depend on the future developments and which the Bank is unable to assess currently.

Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's 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 financial statements and our auditor's report thereon.

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. We have nothing to report in this regard.

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

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

Auditor's 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 auditor's 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 Auditor's responsibilities for Audit of the Financial Statements.

Report on Other Legal and Regulatory Requirements

1. This Report does not include a statement of 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 the 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 sub section 3 of 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 power of Bank;
- c. During the course of our audit we could not visit any branch of the Bank to examine the books of accounts and other records maintained at the branch due to lockdown in the country on account of Covid-19. The key operations of the Bank are automated with the key application integrated to the core banking system and the audit is carried out centrally as all necessary records and data required for the purpose 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.
- e. The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
- f. 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. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- h. 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”.
- i. With respect to the other matters to be included in the Auditor’s 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:
 - i. The Bank does not have any pending litigations which would impact its financial position.
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



iii. 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 requirement prescribed under section 197 of the Companies Act, 2013 do not apply.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

A handwritten signature in blue ink, appearing to read "Puneet Agarwal". The signature is stylized and fluid.

Puneet Agarwal

Partner

Membership No. 064824

UDIN: 20064824AAAADO1189

Kolkata

June 23, 2020



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

A handwritten signature in blue ink, appearing to read 'Puneet Agarwal', with a horizontal line extending from the end of the signature.

Puneet Agarwal

Partner

Membership No. 064824

UDIN: 20064824AAAADO1189

Kolkata

June 23, 2020



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 (2h) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of North East Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2020]

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

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

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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



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

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

Meaning of Internal Financial Controls With reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls With reference to financial statements

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



Opinion

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

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

A handwritten signature in blue ink, appearing to read 'Puneet Agarwal', with a horizontal line extending from the end of the signature.

Puneet Agarwal

Partner

Membership No. 064824

UDIN: 20064824AAAADO1189

Kolkata

June 23, 2020



BALANCE SHEET AS AT MARCH 31, 2020

PARTICULARS	Schedule No.	₹ in '000	
		As at Mar 31, 2020	As at Mar 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	29,33,850	29,33,850
Reserves and Surplus	2	7,18,852	5,92,961
Deposits	3	89,01,398	26,73,733
Borrowings	4	74,99,875	1,10,09,875
Other Liabilities and Provisions	5	6,19,191	4,88,759
TOTAL		2,06,73,166	1,76,99,178
ASSETS			
Cash and Balance with Reserve Bank of India	6	9,24,240	7,24,558
Balance with Banks and Money at call & short notice	7	18,36,748	8,15,617
Investments	8	35,31,524	16,53,053
Advances	9	1,34,82,815	1,38,39,737
Fixed Assets	10	2,84,409	2,35,635
Other Assets	11	6,13,430	4,30,578
TOTAL		2,06,73,166	1,76,99,178

Contingent Liabilities & Bills for Collection

Significant Accounting Policies and notes to the financial statements 16 & 17

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 & AssociatesChartered 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

Ranjit Goswami
Independent Director
DIN : 07368429

Rupali Karmali
Managing Director & CEO
DIN : 02114098

Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

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

Kolkata
June 23, 2020Guwahati
June 23, 2020



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

₹ in '000

PARTICULARS	Schedule No.	For the Year Ended Mar 31, 2020	For the Year Ended Mar 31, 2019
I. INCOME			
Interest Earned	12	30,54,378	27,44,210
Other Income	13	1,96,646	1,26,809
TOTAL		32,51,024	28,71,019
II. EXPENDITURE			
Interest Expended	14	13,67,295	12,53,317
Operating Expenses	15	13,26,198	9,78,357
Provisions and Contingencies (Refer Note No 7 of Schedule 17 - Notes to Accounts)		4,31,640	2,69,937
TOTAL		31,25,133	25,01,611
III. PROFIT			
Net Profit After Tax		1,25,891	3,69,408
Add : Balance in Profit & Loss Account Brought Forward from Previous Year		4,16,513	1,67,676
TOTAL		5,42,404	5,37,084
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		31,472	92,352
Transfer to Investment Fluctuation Reserve		42,500	28,219
Balance Carried to Balance Sheet		4,68,432	4,16,513
TOTAL		5,42,404	5,37,084
Earnings Per Share (Face value per share ₹10 each)			
Basic		0.43	1.26
Diluted		0.43	1.26

Significant Accounting Policies and notes to the financial statements

16 & 17

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 report of even date

For MSKA & Associates

For and on behalf of the Board of Directors

Chartered Accountants

Firm Registration Number : 105047W

Puneet Agarwal
Partner
Membership No - 064824

Bhaskar Jyoti Sarma
Part-time Chairman
DIN : 05282550

Rupali Kalra
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

June 23, 2020

Guwahati

June 23, 2020



SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	₹ in '000	
	As at Mar 31, 2020	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	31,472	92,352
Closing Balance	1,79,701	1,48,229
II. Investment Fluctuation Reserve		
Opening Balance	28,219	-
Additions during the year	42,500	28,219
Closing Balance	70,719	28,219
III. Balance in Profit and Loss Account	4,68,432	4,16,513
Total (I to III)	7,18,852	5,92,961
SCHEDULE 3 - Deposits		
A.I. Demand Deposits		
(i) From Banks	31,854	-
(i) From Others	98,577	34,306
II. Savings Bank Deposits	32,01,093	5,54,411
III. Term Deposits		
(i) From Banks	13,75,400	2,02,185
(ii) From Others	41,94,474	18,82,831
Total (I to III)	89,01,398	26,73,733
B.I. Deposits of Branches in India	89,01,398	26,73,733
B.II. Deposits of Branches outside India	-	-
Total (B.I and B.II)	89,01,398	26,73,733
SCHEDULE 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	6,68,924
iii) Other Institutions and Agencies	69,19,875	93,60,951
iv) Others (Non-Convertible Redeemable Debentures)	5,80,000	9,80,000
Total	74,99,875	1,10,09,875
II. Borrowings outside India	-	-
Total (I and II)	74,99,875	1,10,09,875
Secured Borrowings included in I and II above	65,29,875	89,34,048
SCHEDULE 5 - Other Liabilities and Provisions		
I. Interest Accrued	72,643	2,27,401
II. Provision for Standard Assets*	1,34,256	55,453
III. Adhoc Provision against loans**	2,21,897	-
IV. Others	1,90,395	2,05,905
Total (I to IV)	6,19,191	4,88,759

* Provision on Standard Asset includes Rs. 8.21 crores as additional provision @ 10% towards 42,801 Standard Accounts rescheduled due to disturbances created in districts of Upper Assam in the quarter ended Dec 31,2019

** Adhoc Provision against loans includes Rs 6.46 Crores as Floating Provision and Rs 15.72 Crores towards Provision for COVID-19 in line with RBI Guidelines dated 17-04-2020





SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

SCHEDULE 6 - Cash and Balance with Reserve Bank of India

I. Cash in hand	1,31,044	92,876
II. Balances with Reserve Bank of India		
i) In Current Accounts	7,93,196	6,31,682
ii) In Other Accounts	-	-
Total (I and II)	9,24,240	7,24,558

SCHEDULE 7 : Balances with Banks and Money at Call and Short Notice

A) In India		
I) Balances with banks		
i) In Current Accounts	2,17,658	3,76,526
ii) In Other Deposit Accounts	14,19,090	1,89,091
II) Money at call and short notice		
i) With other Institutions	2,00,000	2,50,000
Total (A.I and A.II)	18,36,748	8,15,617

* Include fixed deposit of ₹ 69,090 (Previous year ₹ 1,69,090) held under lien

B) Outside India		
i) In Current Accounts	-	-
ii) In other Deposit accounts	-	-
iii) Money at call and short notice	-	-
Total (B)	-	-
Total (A and B)	18,36,748	8,15,617

SCHEDULE 8 - Investments

I. Investments in India		
i) Government Securities	32,31,524	13,52,957
ii) Others (Investment in Mutual Funds)	3,00,000	3,00,096
Total (I)	35,31,524	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)	35,31,524	16,53,053
Gross Investments	35,31,524	16,53,053
Less : Provision for Investments	-	-
Net Investments	35,31,524	16,53,053

SCHEDULE 9 - Advances

A. i) Cash Credits, Overdrafts and Loans repayable on demand	94,312	21,252
ii) Term Loans	1,33,88,503	1,38,18,485
Total	1,34,82,815	1,38,39,737
B i) Secured by Tangible Assets	99,570	21,252
ii) Covered by Banks/Government Guarantees	-	-
iii) Unsecured	1,33,83,245	1,38,18,485
Total	1,34,82,815	1,38,39,737
C. I. Advances in India		
i) Priority Sectors	1,32,41,015	1,37,58,422
ii) Public Sectors	-	-
iii) Banks	-	-
iv) Others	2,41,800	81,315
Total	1,34,82,815	1,38,39,737
C.II. Advances outside India		
i) Due from Banks	-	-
ii) Due from Others	-	-
a) Bills Purchased and Discounted	-	-
b) Syndicated Loans	-	-
c) Others	-	-
Total C (I and II)	1,34,82,815	1,38,39,737





SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

SCHEDULE 10 - Fixed Assets

I) Premises	*	*
II) Other Fixed Assets (Including Furnitures and Fixtures)		
At the beginning of the year	2,95,768	1,78,028
Additions during the year	1,20,051	1,17,740
Deductions during the year	377	*
Total	4,15,442	2,95,768
Depreciation		
At the beginning of the year	60,133	13,641
Charge for the year	71,139	46,492
Deductions during the year	239	-
Total	1,31,033	60,133
Net Block	2,84,409	2,35,635
Total (I+II)	2,84,409	2,35,635

SCHEDULE 11 - Other Assets

i. Interest Accrued	2,90,695	6,504
ii. Tax paid in advance	1,24,105	51,415
iii. Deferred Tax Assets	48,395	61,885
iv. Others	1,50,235	3,10,774
Total	6,13,430	4,30,578





SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

PARTICULARS	₹ in '000	
	For the year ended March 31, 2020	For the year ended March 31, 2019
SCHEDULE 12 - Interest Earned		
I. Interest on Advances	27,78,711	25,44,708
II. Income on Investments	1,47,979	1,05,038
III. Interest on Balances with RBI and Other Inter-Bank Funds	1,27,688	94,464
Total (I to III)	30,54,378	27,44,210
SCHEDULE 13 - Other Income		
I. Commission, Exchange & Brokerage	1,24,784	1,21,821
II. Profit on sale of Investments	41,385	606
III. Profit on sale of land, buildings and other assets	202	-
IV. Miscellaneous Income	30,275	4,382
Total (I to IV)	1,96,646	1,26,809
SCHEDULE 14 - Interest Expended		
I. Interest on Deposits	4,82,559	1,07,636
II. Interest on Inter-bank borrowings	8,84,736	11,45,681
Total (I to II)	13,67,295	12,53,317
SCHEDULE 15 - Operating Expenses		
I. Payments and Provisions for Employees	7,73,669	5,17,137
II. Rent, Taxes and Lighting	90,910	72,999
III. Printing and Stationery	14,292	12,576
IV. Advertisement and Publicity	37,929	19,687
V. Depreciation on Bank's property	71,139	46,492
VI. Director's Fees's, Allowances & Expenses	1,875	1,016
VII. Auditors fees and expenses	6,099	5,860
VIII. Law Charges	43	168
IX. Postage, Telegrams, Telephones, etc.	27,815	19,124
X. Repairs and Maintenance	34,717	17,003
XI. Insurance	12,317	7,852
XII. IT Cost (FIS)	90,022	1,19,377
XIII. Other expenditure	1,65,371	1,39,065
Total (I to XIII)	13,26,198	9,78,357





CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

PARTICULARS	₹ in '000	
	For the year ended March 31, 2020	For the year ended March 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	1,93,172	5,52,052
Adjustment For:		
Profit on sale of Fixed Assets	(202)	-
Fair value gain on SG securities	(5,941)	-
Contingent Provisions for Standard Assets	78,803	12,741
Adhoc Provision against Loans	2,21,897	-
Depreciation & Amortisation	71,139	46,492
Provision for Risk Insurance & welfare	(19,808)	22,000
Provision for Non Performing / Bad Assets	1,889	52,552
Operating Profit before Working Capital Changes	5,40,948	6,85,837
Adjustments for:		
Decrease/(Increase) in Other Assets	(50,032)	(1,07,412)
Decrease/(Increase) in Term Deposits with other Banks	(9,00,000)	-
Increase/(Decrease) in Other liabilities and Provisions	(2,24,059)	2,17,792
Decrease/(Increase) in Advances	3,55,033	(30,68,305)
Decrease/(Increase) in Investments	(17,72,531)	1,48,756
Increase/(Decrease) in Deposits	62,27,665	14,20,627
Cash generated from / (used) in Operations:	36,36,076	(13,88,541)
Taxes Paid	(1,26,500)	(2,88,973)
Net Cash Flow from / (used) in Operating Activities (A)	40,50,524	(9,91,677)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(1,20,051)	(1,15,422)
Sale of Fixed Assets	340	-
Net Cash Flow used in Investing Activities (B)	(1,19,711)	(1,15,422)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase/Decrease in Borrowings (Net)	(35,10,000)	1,95,841
Net Cash Flow from / (Used in) Financing Activities (C)	(35,10,000)	1,95,841
Net Increase / (Decrease) in Cash or Cash Equivalents (A+B+C)	4,20,813	(9,11,258)
Opening Cash and Cash Equivalents	13,71,085	22,82,343
Cash and Cash Equivalents at the end of the year	17,91,898	13,71,085
Break up cash and cash equivalent		
Cash and Balance with RBI	9,24,240	7,24,558
Balance in current account with other banks	2,17,658	3,76,526
Deposits	4,50,000	20,001
Money at Call & Short Notice	2,00,000	2,50,000
Total Cash & Cash Equivalent	17,91,898	13,71,085

Notes:

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard 3 of Cash Flow Statements.
- Cash and cash equivalents comprises Cash and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7) with balances having original maturity of less than three months.
- Figures in bracket indicate cash outflow.

As per our 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 Tyoti Sarma
Part-time Chairman
DIN : 05282550

Ranjit Goswami
Independent Director
DIN : 07368429

Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

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



Kolkata
June 23, 2020

Guwahati
June 23, 2020



Schedule 16- 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

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.





Schedule 16- Significant Accounting Policies

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.

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) / Financial Benchmarks India Private Limited.

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 from time to time basis approvals received from their Board of Directors.

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.





Schedule 16- Significant Accounting Policies

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.

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

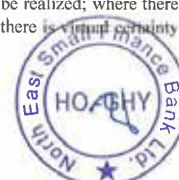
Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made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





Schedule 16- Significant Accounting Policies

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 interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortization of premium on Held to Maturity category investments.

Retail Banking includes 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.

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

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:

- 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
- 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 a minimum Investment Fluctuation Reserve (IFR) equivalent to 5% of Total Investment Portfolio, within a period of five years from its commencement. Accordingly, during the year ended March 31, 2020 the bank has made an appropriation of INR 4,25,00,000/- (Previous year : 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 INR 3,14,72,772 (Previous Year : INR 9,23,51,972) out of profits for the year ended March 31, 2020 to the statutory reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.





₹ in '000

Schedule 17 - Notes to Financial Statement

1. Capital :

1.1 Capital Infusion

During the period April 1, 2019 to March 31, 2020 there were no fresh infusion of Capital

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 I Capital of which common equity Tier I capital shall be 6% and 1.50% from additional Tier I 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, 2020	As at March 31, 2019
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	23.26%	22.27%
(ii) Additional Tier I Capital (%)	-	-
(iii) Tier II Capital (%)	1.72%	0.55%
(iv) Total CRAR %	24.98%	22.82%
(v) Percentage of the shareholding of the Government of India in Public Sector Banks	-	-
(vi) Amount raised by issue of Equity Shares	-	-
(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	-	-

In accordance with operating guidelines for small finance banks, the Bank may approach Reserve Bank of India with details of liabilities to be grandfathered and for creation of additional capital charge.

2. Investments

2.1 Details of Investments

Particulars	As at March 31, 2020	As at March 31, 2019
1. Value of Investments		
(i) Gross Value of Investments		
(a) In India	35,31,524	16,53,053
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	35,31,524	16,53,053
(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	-	-

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

Particulars	As at March 31, 2020			As at March 31, 2019		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	7,35,828	19,54,729	-	2,42,128	11,10,829	-
ii) Other approved securities	5,40,968	-	-	-	-	-
iii) Shares	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-
v) Mutual Funds	-	3,00,000	-	-	3,00,096	-
vi) Subsidiaries and /or Joint ventures	-	-	-	-	-	-

2.3 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, 2020
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-





₹ in '000

Schedule 17 - Notes to Financial Statement

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				

2.4 Non-SLR Investment Portfolio:

(i) Issuer Composition of Non SLR Investments

SLN o	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
1	Others	3,00,000	NIL	NIL	NIL	NIL

(ii) Non-performing Non-SLR investments:

The Bank does not have any non performing non-SLR Investments as on March 31, 2020 (Previous year : NIL)

2.5 During the period ended March 31, 2020 and March 31, 2019 there was no sale/transfer of securities to/from HTM category.

2.6. Derivatives

The Bank did not have any transactions in derivative instruments during the year ended March 31, 2020 (Previous Year : NIL)

2.7. Credit Default Swaps:

The Bank has not entered into any credit default swap transactions during the year ended March 31, 2020 (Previous Year : NIL)

2.8. Un-hedged foreign currency exposure

The Bank does not have any un-hedged foreign currency exposure as on March 31, 2020 (Previous Year : NIL)

3. Asset Quality

3.1 Non-Performing Assets

Particulars	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances (%)	1.20%	0.32%
Movement of Gross NPAs		
(a) Opening Balance	1,42,984	92,758
(b) Additions (Fresh NPAs) during the year	2,03,701	66,673
Sub-total (A)	3,46,685	1,59,431
(c) Reductions during the period:		
(i) Up-gradations	88	1,656
(ii) Recoveries (excluding recoveries made from upgraded accounts)	2,426	14,791
(iii) Technical/ Prudential Write-offs	81,321	-
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)	83,834	16,447
Closing Balance (A-B)	2,62,850	1,42,984

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, 2020	March 31, 2019
Movement of Net NPAs		
(a) Opening balance	44,136	46,464
(b) Additions during the period	1,99,299	(2,328)
(c) Reductions during the year period (Write Off)	(81,321)	-
(d) Closing balance	1,62,114	44,136
Movement of provision for NPAs (excluding provision for standard assets)		
(a) Opening balance	98,848	46,295
(b) Provisions made during the period	83,467	52,553
(c) Provision on Technical written off account including other write back	(81,578)	-
(d) Closing balance	1,00,736	98,848

3.2. a) 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, 2020 (Previous Year : NIL)

b) Details of book value of investment in security receipts (SR)

During the current and previous year, the Bank has not made investment in Security Receipts.

3.3. Details of Non Performing Assets Purchased/Sold

The Bank did not sell/purchase any non financial asset during the year ended March 31, 2020 (Previous Year : NIL)





₹ in '000

Schedule 17 - Notes to Financial Statement

3.4. 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. 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, 2020	March 31, 2019
The amount of provision held on standard assets*	1,34,256	55,451

* Provision on Standard Asset covers provision @ 0.4% as per prudential norms of RBI as well as Rs. 8.21 crores as additional provision @ 10% towards 42,801 Standard Accounts rescheduled due to disturbances created in districts of Upper Assam in the quarter ended Dec 31, 2019.

3.5. Divergence in Asset Classification and Provisioning for NPAs

RBI vide its circular No RBI/2016-17/283 DBR BP BC No 63/21.04.018/2016-17 dated April 18, 2017 and notification dated 1st April, 2019, has directed that banks shall make suitable disclosures, if either or both of the conditions are satisfied -

- a) the additional provisioning for NPAs assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies for the reference period, and
- b) the additional gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period

There has been no material divergence observed by RBI for the Financial year 2019-20 in respect of the Banks assets classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning which requires such disclosure.

3.6. Resolution of Stressed Assets

No accounts have been restructured under prudential framework on resolution of stressed assets as per the circular no. RBI/2018-19/203 DBR No BP BC 45/21.04.048/2018-19 dated June 07, 2019.

3.7. Particulars of Accounts Rescheduled

Disclosure on accounts subjected to Rescheduling for the year ended March 31, 2020 (Previous Year: NIL)

Sr No.	Type of Restructuring/Rescheduling		Under CDR Mechanism	Under SME debt restructuring mechanism	Others			Total		
					Standard	NPA Provision	Total Provision	Standard	NPA Provision	Total Provision
1	Rescheduled Accounts as on April 1, 2019 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
2	Fresh rescheduling during the year	No. of Borrowers	-	-	42,801	-	42,801	42,801	-	42,801
		Amount Outstanding	-	-	8,21,300	-	8,21,300	8,21,300	-	8,21,300
		Provision thereon	-	-	82,130	-	82,130	82,130	-	82,130
3	Upgradations to rescheduled standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
4	Rescheduled standard advances which cease to attract higher provisioning and / or additional risk as on the end of the FY and	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
5	Downgradations of rescheduled accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing rescheduled accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of rescheduled accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
8	Rescheduled Accounts as on March 31, 2020 (closing figures)	No. of Borrowers	-	-	42,801	-	42,801	42,801	-	42,801
		Amount	-	-	8,21,300	-	8,21,300	8,21,300	-	8,21,300
		Provision thereon	-	-	82,130	-	82,130	82,130	-	82,130





₹ in '000

Schedule 17 - Notes to Financial Statement

4. Business Ratios

Particulars	March 31, 2020	March 31, 2019
Interest income as a percentage of working funds	15.89%	16.98%
Non interest income as a percentage of working funds	1.02%	0.78%
Operating profit as a percentage of working funds	2.90%	3.96%
Return on assets (average)	0.65%	2.29%
Business (deposit plus advance) per employee (Rs in '000)	9,970	10,227
Profit per employee (Rs in '000)	60	232

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)

5. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2020:

Sl. no.	Maturity buckets	Loans & advances	Investments	Deposits	Borrowings
1	1 day	123	20,60,301	46,708	54
2	2 days to 7 days	706	5,723	6,15,143	-
3	8 days to 14 days	6,986	4,098	1,78,842	-
4	15 days to 30 days	21,699	5,88,694	3,08,795	-
5	31 days to 3 month	36,113	50,271	3,16,284	-
6	Over 3 month & upto 6 month	3,22,026	1,98,520	8,12,135	5,90,963
7	Over 6 month & upto 1 year	19,78,995	2,36,884	15,87,284	6,42,857
8	Over 1 year & upto 3 years	1,06,52,347	3,84,734	50,19,900	20,16,000
9	Over 3 years & upto 5 years	4,62,629	2,017	14,164	42,50,000
10	Over 5 years	1,192	284	2,143	-
		1,34,82,815	35,31,524	89,01,398	74,99,875

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

Sl. no.	Maturity buckets	Loans & advances	Investments	Deposits	Borrowings
1	1 day	-	6,19,857	8,720	-
2	2 days to 7 days	231	10,046	19,576	-
3	8 days to 14 days	614	5,732	1,00,279	-
4	15 days to 30 days	1,591	77,897	2,17,007	-
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 month & upto 6 month	2,98,362	52,537	97,439	6,43,617
8	Over 6 month & upto 1 year	34,08,150	2,11,117	4,58,100	6,30,623
9	Over 1 year & upto 3 years	1,00,41,581	2,38,280	16,48,383	25,90,635
10	Over 3 years & upto 5 years	46,377	2,10,678	4,519	61,45,000
11	Over 5 years	-	1,72,527	628	10,00,000
		1,38,39,737	16,53,053	26,73,732	1,10,09,875

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
2. Since the bank has not yet completed 3 years of operations, the behavioural pattern of roll-in and roll-out of balances in deposit accounts, comprising Savings and Current accounts is not available. Therefore, the bank has classified the maturity pattern of the deposits into various maturity buckets on an estimated basis.
3. 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.
4. The Bank has no foreign currency assets & liabilities as on March 31, 2020





₹ in '000

Schedule 17 - Notes to Financial Statement

6. Exposure

6.1. Exposure to Real Estate Sector:

The Bank does not have exposure to Real Estate Sector for year ended March 31, 2020 and March 31, 2019

Particulars	March 31, 2020	March 31, 2019
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)	-	-

6.2. Exposure to Capital Market

Particulars	March 31, 2020	March 31, 2019
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	-	-





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Schedule 17 - Notes to Financial Statement

6.3. 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, 2020 (Previous Year : NIL)

Risk Category	Exposure (net) as at March 31, 2020	Provision held as at March 31, 2020	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	-	-	-	-
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	-	-	-	-

6.4. Details of Single Borrower Limit (SBL)/ Group Borrower Limit (GBL) exceeded by the Bank

During the year ended March 31, 2020, 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 (Previous Year: NIL)

6.5. Unsecured Advances

There are no secured 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, 2020 (Previous Year : NIL).

6.6. Details of factoring exposure

There is no factoring exposure of the Bank as at March 31, 2020 (Previous Year : NIL)

6.7. Disclosure of penalties imposed by RBI

During the year ended March 31, 2020, no penalty had been imposed by Reserve Bank of India (Previous Year : NIL).

7. 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, 2020	March 31, 2019
Provision towards Non Performing Assets	83,467	52,552
Provision towards Standard Assets*	78,803	12,741
General Provision against Advances**	2,21,897	-
Provision made towards income tax	53,791	1,89,102
Deferred Tax asset	13,490	(6,458)
Provision for Risk, Insurance & Welfare	(19,808)	22,000
Total	4,31,640	2,69,938

* Provision on Standard Asset includes Rs. 8.21 crores as additional provision @ 10% towards 42,801 Standard Accounts rescheduled due to disturbances created in districts of Upper Assam in the quarter ended Dec 31, 2019

** General provision against advances includes Rs. 6.46 Crores as Floating Provision & Rs.15.73 Crores towards provision for COVID-19

ADDITIONAL DISCLOSURES IN LINE WITH RBI CIRCULAR NO. DOR.No.BP.BC.63/21.04.048/2019-20 DATED 17/04/2020 :

(I) Respective Amount in SMA / Overdue Categories, where moratorium / deferment was extended

Particulars	Number of accounts	Number of Overdue Days	Amount Outstanding
SMA 0 (ZERO)	77,271	1-30 Days	15,66,529
SMA 1	63,755	31-60 Days	12,72,986
SMA 2	15,720	61- 90 Days	3,06,419
TOTAL	1,56,746		31,45,934

(II) Respective Amount, where Asset Classification benefits is extended

Particulars	Number of accounts	Number of Overdue Days	Amount Outstanding
SMA 2	15,720	61- 90 Days	3,06,419





₹ in '000

Schedule 17 - Notes to Financial Statement

(III) Provisions made during Q4 2019-20 in respect of overdue accounts, where moratorium is extended

Particulars	Number of accounts	Amount Outstanding	Provision made @ 5%
SMA 0 (ZERO)	77,271	15,66,529	78,326
SMA 1	63,755	12,72,986	63,649
SMA 2	15,720	3,06,419	15,321
TOTAL	1,56,746	31,45,934	1,57,297

(IV) Provisions adjusted during the respective accounting periods against slippages and the residual provisions: NIL

8. Floating Provision:

Particulars	March 31, 2020	March 31, 2019
a) Opening Balance in the Floating Provision account	-	-
b) The quantum of floating provisions made during the current year	64,600	-
c) Amount of drawdown made during the current year	-	-
d) Closing balance in the Floating provisions account	64,600	-

9. Drawdown from Reserves

The Bank has not drawdown from reserves during the year ended March 31, 2020 (Previous year: NIL)

10. Disclosure of Complaints

a) Customer Complaints

Particulars	March 31, 2020	March 31, 2019
a) No. of complaints pending at the beginning of the year	-	-
b) No. of complaints received during the year	461	128
c) No. of complaints redressed during the year	453	128
d) No. of complaints pending at the end of the year	8	-

b) Awards passed by the Banking Ombudsman:

Particulars	March 31, 2020	March 31, 2019
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	-	-

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

The Bank has not issued any Letter of Comfort during the period for the year ended March 31, 2020 (Previous Year : NIL)

12 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) of the Bank is 71.67% as on March 31, 2020 (previous year 69.13%).

13. Bancassurance Business

The Bank has commenced Bancassurance Business during the FY 2019-20. The details are as below -

S.No	Name of the Insurance Company	March 31, 2020			March 31, 2019		
		No of Policies	Amount of Insurance	Amount of Commission	No of Policies	Amount of Insurance	Amount of Commission
1	Bajaj Alliance Life Insurance Company Limited	2084	1,23,364	8,686	-	-	-
2	Bajaj Alliance General Insurance Company Limited	44600	18,964	2,840	-	-	-
	Total	46684	1,42,328	11,526	-	-	-

14. Concentration of deposits, advances, exposures and NPAs

14.1. Concentration of deposits:

Particulars	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	44,12,967	9,94,339
Total Deposits	89,01,398	26,73,733
Percentage of deposits of twenty largest depositors to total deposits of the Bank	50%	37%

14.2. Concentration of Advances:

Particulars	March 31, 2020	March 31, 2019
Total advances to twenty largest customers	1,20,543	44,099
Total Advances	1,34,82,815	1,38,39,737
Percentage of Advances of twenty largest borrowers to total advances of the Bank	0.89%	0.32%

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





₹ in '000

Schedule 17 - Notes to Financial Statement

14.3. Concentration of exposures:

Particulars	March 31, 2020	March 31, 2019
Total exposure to twenty largest borrowers/customers	69,861	44,099
Percentage of exposures of twenty largest customers to total exposure of the Bank on borrowers/ customers	0.52%	0.42%

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

14.4. Concentration of NPA's:

Particulars	March 31, 2020	March 31, 2019
Total Exposure to top four NPA accounts	324	310

15. Sector-wise Advances

Sector	As at March 31, 2020			As at March 31, 2019		
	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
A. Priority Sector						
1. Agricultural and Allied Activities	52,21,971	13,515	0.26%	48,86,906	22,410	0.46%
2. Advances to Industries Sector eligible as PSL	5,90,374	2,930	0.50%	7,34,890	10,819	1.47%
3. Services	73,37,340	2,44,106	3.33%	82,32,755	1,09,659	1.35%
4. Personal Loans and others	1,91,841	1,399	0.73%	39,352	96	0.25%
Sub-Total (A)	1,33,41,526	2,61,950	1.96%	1,38,93,903	1,42,984	1.03%
B. Non Priority Sector						
1. Agricultural and Allied Activities	31,948	-	-	1,983	-	-
2. Industry	8,338	-	-	-	-	-
3. Services	58,277	-	-	51,198	-	-
4. Personal loans and others	1,43,461	900	0.63%	28,134	-	-
Sub-Total (B)	2,42,025	900	0.37%	81,315	-	-
Total	1,35,83,551	2,62,850	1.94%	1,39,75,218	1,42,984	1.02%

"The bank has compiled the sector-wise advances mentioned above by using pivot table from the advances list extracted from the financial accounting system which has been relied upon by the auditors "

16. Technical or Prudential Write Offs

Particulars	March 31, 2020	March 31, 2019
Opening Balance of Technical /Prudential written off accounts as at Apr 1	-	-
Add: Technical/ Prudential write offs during the year	81,578	-
Sub Total (A)	81,578	-
Less : Recoveries made from previously technical/ prudential written offs account during the year (B)	258	-
Closing Balance as at March 31 (A-B)	81,321	-

17. 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

18. Off Balance Sheet SPVs sponsored

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

19. Disclosure on Remuneration

A. Qualitative Disclosures:

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.





₹ in '000

Schedule 17 - Notes to Financial Statement**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)	As mandated by Law
	Gratuity	As mandated by Law
Ex-gratia	Insurance	Medical/Personal Accident/ Life Insurance
	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.

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



₹ in '000

Schedule 17 - Notes to Financial Statement**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

B. Quantitative Disclosure

Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	March 31, 2020	March 31, 2019
g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	5 meetings were held Aggregate remuneration - Rs 72,500/-	4 meetings were held Aggregate remuneration - Rs 1,27,500/-
h) Number of employees having received a variable remuneration award during the year	Nil	Nil
i) Number and total amount of sign-on awards made during the financial year	Nil	Nil
j) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
k) Details of severance pay, in addition to accrued benefits, if any	Nil	Nil
l) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil	Nil
m) Total amount of deferred remuneration paid out in the financial year	Nil	Nil
n) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Nil	
o) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
p) Total amount of reductions during the financial year due to ex post explicit adjustments	Nil	Nil
q) Total amount of reductions during the financial year due to ex post implicit adjustments	Nil	Nil

C. 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 20,000/- per Board meeting and at the rate of Rs 7,500/- per committee meeting respectively. An amount of Rs. 10,75,000/- was paid as sitting fees to Independent Directors during the FY (19-20). Following is the sitting fees paid to the Independent directors

Name of Director	March 31, 2020	March 31, 2019
Deep Chandra Joshi	250	185
Ranjit Goswami	220	263
Gautam Barua	160	182
Sutapa Banerjee	90	209
Bhaskar Jyoti Sarma	325	142
Arun Prakash Sandilya	30	-
Total	1,075	981





₹ in '000

Schedule 17 - Notes to Financial Statement

20. Disclosures relating Securitization

Sl. No.	Particulars	March 31, 2020	March 31, 2019
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	-	-

21. Intra Group Exposures

Particulars	March 31, 2020	March 31, 2019
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/customer	-	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	-	-

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

Particulars	March 31, 2020	March 31, 2019
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	-	-

23.1 Priority sector lending certificates

The Bank has not purchased or sold any PSLC during FY 2019-20 -

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	PSLC Purchased	PSLC Sold	PSLC Purchased	PSLC Sold
PSLC Agriculture	-	-	-	5,00,000

23.2 Inter- Bank participation with risk sharing

The aggregate amount of participation issued by the bank and reduced from advances as per regulatory guidelines as at March 31, 2020 is NIL (Previous Year: NIL)

24. Movement in provision for frauds included under other liabilities

Particulars	March 31, 2020	March 31, 2019
Opening provision	2,813	-
Provision during the year	-	-
Utilization / Write back of provision	-	-
Closing provision	2,813	-





₹ in '000

Schedule 17 - Notes to Financial Statement

25. 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 as 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.

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 January 1, 2019	By January 1, 2020	By January 1, 2021
Minimum LCR	80%	90%	100%

Quantitative disclosures on LCR for the period ended March 31, 2020 :

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		34,50,935		27,16,670		21,13,757		15,51,842
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:								
43,43,683	3,77,943	25,39,832	2,19,074	9,14,228	80,262	88,164	8,816	
i) Stable deposits	11,28,503	56,425	6,98,189	34,909	2,23,210	11,160	-	-
ii) Less stable deposits	32,15,180	3,21,518	18,41,643	1,84,164	6,91,018	69,102	88,164	8,816
3. Unsecured wholesale funding, of which:								
43,33,508	26,96,467	24,53,971	12,67,783	2,56,294	40,430	2,03,554	20,355	
i) Operational deposits (all counterparties)	-	-	24,53,971	12,67,783	2,56,294	40,430	2,03,554	20,355
ii) Non-operational deposits (all counterparties)	43,33,508	26,96,467	-	-	-	-	-	-
iii) Unsecured debt	-	-	-	-	-	-	-	-
4. Secured Wholesale funding	-	3,16,259	-	1,30,549	-	61,459	-	87,661
5. Additional requirements, of which:								
i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding obligations	3,01,498	3,01,498	2,77,745	2,77,745	4,20,707	4,20,707	2,76,719	2,76,719
7. Other contingent funding obligations	-	-	-	-	-	-	-	-
8. Total Cash Outflows	-	36,92,167	-	18,95,151	-	6,02,859	-	3,93,551
Cash Inflows								
9. Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10. Inflows from fully performing exposures	7,436	7,436	6,394	6,394	4,046	4,046	2,942	2,942
11. Other cash inflows	16,55,933	16,32,872	22,89,853	22,87,058	17,98,362	17,96,042	14,65,337	14,62,815
12. Total Cash Inflows	16,63,369	16,40,308	22,96,247	22,93,453	18,02,408	18,00,088	14,68,279	14,65,757
13. TOTAL HQLA	-	34,50,935	-	27,16,670	-	21,13,757	-	15,51,842
14. Total Net Cash Outflows	-	20,75,711	-	4,85,789	-	1,51,104	-	-
15. Liquidity Coverage Ratio (%)	-	166%	-	559%	-	1399%	-	-





₹ in '000

Schedule 17 - Notes to Financial Statement

Quantitative disclosures on LCR for the period ended March 31, 2019 :

Particulars	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)		14,27,809		13,65,280		17,52,928		16,05,754
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which :	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 :	2,76,486	27,649	1,46,356	14,636	1,42,279	14,228	3,01,208	30,121
i) Operational deposits (all counterparties)	2,76,486	27,649	1,46,356	14,636	1,42,279	14,228	3,01,208	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 requirements								
ii) Outflows related to loss of funding on debt products								
iii) Credit and liquidity facilities								
6. Other contractual funding obligations	2,68,640	2,68,640	2,12,393	2,12,393	2,23,782	2,23,782	1,62,065	1,62,065
7. Other contingent funding obligations								
8. Total Cash Outflows		3,12,157		2,28,966		2,47,479		2,04,875
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	1,31,221	1,10,806
11. Other cash inflows	10,50,087	10,46,401	16,37,467	16,30,210	11,00,435	10,99,307	11,08,514	11,08,514
12. Total Cash Inflows	10,51,790	10,48,104	16,43,254	16,35,998	11,13,236	11,07,152	12,39,735	12,19,320
13. TOTAL HQLA		14,27,809		13,65,280		17,52,928		16,05,754
14. Total Net Cash Outflows		78,039		57,241		61,870		51,219
15. Liquidity Coverage Ratio (%)		1830%		2385%		2833%		3135%

In accordance with RBI guidelines, the weighted and unweighted amounts are calculated taking simple daily average for all quarters for the year ended March 31, 2020. However, for all quarters for the year ended March 31, 2019 the Bank has calculated LCR on monthly basis and accordingly disclosure has been made on simple average basis of month end.





₹ in '000

Schedule 17 - Notes to Financial Statement

26. Notes on Compliances with Accounting Standards

26.1 Earnings per Share:

Particulars	March 31, 2020	March 31, 2019
Net profit after tax (₹)	1,25,891	3,69,407
Weighted average shares outstanding – Basic (Nos.)	2,93,385	2,93,385
Weighted average shares outstanding – Diluted (Nos.)	2,93,385	2,93,385
Nominal Value of Equity Shares (₹)	10	10
Earnings per share – Basic (₹)	0.43	1.26
Earnings per share – Diluted (₹)	0.43	1.26

26.2 Segment Reporting

Particulars	Treasury		Retail Banking		Total	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Segment Revenue	2,58,528	2,00,108	29,92,294	26,70,912	32,50,822	28,71,020
Un allocated Revenue	-	-	-	-	202	-
Less: Inter Segment Revenue	-	-	-	-	-	-
Total Revenue	2,58,528	2,00,108	29,92,294	26,70,912	32,51,024	28,71,020
Segment Expenses	3,350	5,464	22,14,494	22,29,744	22,17,845	22,35,208
Segment Results	2,55,177	1,94,643	7,77,800	4,41,168	10,33,180	6,35,812
Unallocated Expenses	-	-	-	-	4,75,649	83,758
Operating Profits	-	-	-	-	5,57,531	5,52,052
Provisions and Contingencies other than Tax Expenses	-	-	3,64,359	-	3,64,359	-
Tax Expenses (including deferred tax)	-	-	-	-	67,281	1,82,645
Extraordinary profit/loss	-	-	-	-	-	-
Net profit	-	-	-	-	1,25,891	3,69,407
Other Information:						
Segment Assets	37,95,441	27,30,724	1,46,88,434	1,43,82,605	1,84,83,875	1,71,13,329
Unallocated Assets	-	-	-	-	21,54,603	5,85,849
Total Assets	37,95,441	27,30,724	1,46,88,434	1,43,82,605	2,06,38,477	1,76,99,178
Segment Liabilities	29,93,391	-	1,41,15,284	1,40,20,620	1,71,08,675	1,40,20,620
Unallocated Liabilities	-	-	-	-	35,29,802	36,78,558
Total Liabilities	29,93,391	-	1,41,15,284	1,40,20,620	2,06,38,477	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

Note 3 The Treasury Segment primarily consists of net interest earnings from the Bank's Investment in SLR securities upto mandatory SLR prescribed by RBI, money market borrowing and lending and gains or losses on Investment operations.

Part B: Geographic Segment

The Bank's entire operations, customers and assets are in India and hence no separate geographical segment disclosures are given.

26.3 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 ₹ 44,166 thousands (31-Mar-19 - ₹ 41,484 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, 2020	March 31, 2019
Not later than one year	43,695	10,021
Later than one year but not later than five years	1,67,907	-
Later than 5 years	1,06,031	-
The total of minimum lease payments recognized in the Profit and Loss Account for the year	44,166	-





₹ in '000

Schedule 17 - Notes to Financial Statement

26.4 Deferred tax

Particulars of (Asset)/ Liability	March 31, 2020	March 31, 2019
Depreciation	(1,691)	1,098
Provision not allowed under Income Tax Act, 1961	(22,953)	(37,207)
Expense allowed on cash basis under Income Tax Act, 1961	(21,234)	(21,382)
Others	(2,517)	(4,369)
Total	(48,395)	(61,859)

26.5 Fixed Assets

Particulars	Tangible		Intangible		Total	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Opening balance	1,65,697	82,024	69,938	82,363	2,35,635	1,64,387
Additions during the year	1,18,886	1,07,595	1,165	10,145	1,20,051	1,17,740
Depreciation charge for the year	47,664	23,922	23,236	22,570	70,900	46,492
Disposal of Assets during the year	377	-	-	-	377	-
Balance at the end of the period	2,36,543	1,65,697	47,867	69,938	2,84,410	2,35,635

26.6 Capital Commitments

Particulars	March 31, 2020	March 31, 2019
Estimated amount of contracts remaining to be executed (Net of advances) and not provided for	-	71,498

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

26.7 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, 2020 are disclosed below:

Nature of Related Party	Name and Relationship
Key Management Personnel (KMP)	Rupali Kalita - Managing Director and Chief Executive Officer
	Akshay Mehta - Chief Financial Officer from 29/05/2019 to 16/08/2019
	Ketan Kumar Joshi - Chief Financial Officer from 16/08/2019
	Mukesh Singh Verma - Company Secretary
Holding Company	RGVN (North East) Microfinance Limited
Relatives of KMP	Kiran Kalita - Mother of Rupali Kalita
	Sangeeta Ketan Joshi - Spouse of Ketan Kumar Joshi
	Hemant Kumar Joshi - Brother of Ketan Kumar Joshi
	Suresh Kumar Singh - Father of Mukesh Singh
	Sita Devi Singh - Mother of Mukesh Singh
	Simpal Kumari - Spouse of Mukesh Singh





Schedule 17 - Notes to Financial Statement

₹ in '000

26.7 Related Party Transactions

a) Transactions during the year

Particulars	For the year ended March 31, 2020			For the period ended March 31, 2019		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Liabilities						
Term Deposit	(25,500)	1,382	6,325	22,492	380	3,042
Saving Deposit (Net of withdrawal)	-	181	131	-	-	55
Reimbursement of expenses	-	2,028	-	-	-	-
Issue of equity shares	-	-	-	-	-	-
Interest Accrued and due	-	-	-	-	-	-
Assets						
Long Term Deposit receivables	2,066	-	-	74,904	-	-
Expense						
Interest paid on deposits	11,414	357	316	9,978	170	109
Less: Penalty received	440	-	-	-	-	-
Net Interest paid on Deposits	10,974	357	316	9,978	170	109
Payment of Remuneration*	-	9,049	-	-	8,559	-
Reimbursement of Expenses	-	-	-	-	-	-

* The above remuneration excludes Bonus, Leave encashment & Gratuity

b) Balance outstanding as at year end are as follows

Particulars	For the year ended March 31, 2020			For the period ended March 31, 2019		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Outstanding as at Year end						
Deposits	1,18,630	5,029	9,553	1,44,130	3,466	3,097
Other Liabilities and Provisions	-	-	-	-	-	-
Receivable as at year end						
Other Assets	2,066	-	-	74,904	-	-

c) Maximum Balance outstanding during the year

Particulars	For the year ended March 31, 2020			For the period ended March 31, 2019		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Deposits	1,18,630	5,029	9,553	1,44,130	3,466	3,097
Other Liabilities and Provisions	-	-	-	-	-	-
Other Assets	2,066	-	-	74,904	-	-

26.8 Employee Shared Based Payments

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

26.9 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, 2020	March 31, 2019
Contribution towards provident fund	38,430	26,161
Contribution towards ESIC	7,464	3,917
Contribution towards Pension fund	-	-





₹ in '000

Schedule 17 - Notes to Financial Statement

26.9 Employee benefits

(ii) Defined benefit plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	March 31, 2020	March 31, 2019
Opening Balance of Present value of obligation	36,467	25,390
Obligation transferred on account of BTA	-	-
Interest Cost	2,814	1,979
Current service cost	9,242	5,845
Benefits paid	(1,298)	(808)
Actuarial Loss/ (Gain) on obligation	5,241	4,060
Closing Balance of Present value of obligation	52,466	36,466

Expense recognised in profit and loss account

Particulars	March 31, 2020	March 31, 2019
Current service cost	9,242	5,845
Interest Cost	2,814	1,979
Expected return on plan assets	(4,979)	(3,331)
Net Actuarial loss recognised in the year	5,241	4,442
Income recognised in profit and loss account	12,318	8,935

Net Liability/(Asset) recognized in the Balance Sheet

Particulars	March 31, 2020	March 31, 2019
Fair value of plan assets	87,155	64,521
Present value of defined obligation	52,466	36,466
Excess of plan assets over present value of obligation	34,689	28,055
Net Asset recognized in balance sheet	34,689	28,055

Change in Fair Value of Plan Assets during the year

Particulars	March 31, 2020	March 31, 2019
Opening balance of fair value of plan assets	64,522	42,735
Plan assets acquired under BTA	-	-
Expected return on plan assets	4,979	3,331
Actual Company Contributions	18,954	19,645
Benefits paid	(1,298)	(808)
Actuarial gain/(loss) return on plan assets	-	(381)
Closing balance of fair value of plan assets	87,157	64,522

Actuarial assumptions used

Particulars	March 31, 2020	March 31, 2019
Discount Rate	6.60%	7.70%
Expected Return on plan assets	6.60%	7.70%
Expected rate of salary increase	5.00%	5.00%
Employee Attrition rate		
Upto 30 Yrs	16.00%	5.00%
31-44 yrs	11.00%	6.00%
Above 44 yrs	9.00%	12.00%

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.





₹ in '000

Schedule 17 - Notes to Financial Statement

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

Particulars	March 31, 2020	March 31, 2019
(Gain)/Loss on Plan Liabilities	754	(1,516)
% of Opening Plan Liabilities	2.10%	6.00%
(Gain)/Loss on Plan Assets	-	(381)
% of Opening Plan Assets	0.0%	-0.90%

(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, 2020	March 31, 2019
Privileged Leave (Actuarial Liability) at the beginning of the year*	21,558	14,656
Privileged Leave (Actuarial Liability) at the end of the year	25,486	21,558
Actuarial assumptions		
Discount Rate	6.60%	7.70%
Salary Escalation rate	5.00%	5.00%

26.10 Contingent Liabilities

There are no contingent liabilities as on March 31, 2020 (Previous Year : NIL)

27. 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.

Particulars	March 31, 2020	March 31, 2019
a) Gross amount required to be spent by the Bank during the year	3,952	-
b) Amount spent during the year	5,381	-

28. Subordinated Debt

The Bank has no outstanding subordinated debt as on March 31, 2020 (Previous Year : NIL)

29. 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, 2020.

30. 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.

31. Investor education and protection fund

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





₹ in '000

Schedule 17 - Notes to Financial Statement

32. Note on Extraordinary Situation of COVID-19 :

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including the Bank, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 32 days up till May 17, 2020 which was further extended to May 31, 2020 across the country to contain the spread of the virus. This pandemic and government response are creating disruption in global supply chain and adversely impacting most of the industries which has resulted in global slowdown. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the asset classification shall remain standard during the moratorium period (i.e., the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning Norms).

Due to above, the extent to which the COVID-19 Pandemic will impact the bank's financial statements will depend on the future developments and incapable of assessment at this point in time.

The Bank holds provisions as at March 31, 2020 against the potential impact of COVID-19 based on the information available at this point in time.

33. 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
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 Khatun
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
June 23, 2020

Guwahati
June 23, 2020



NOTICE

Notice is hereby given that the 4th Annual General Meeting of North East Small Finance Bank Limited will be held at 10:00 AM, on Wednesday, 30th day of September, 2020 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, 2020 and Auditor's Report and the comments thereupon.

2. To appoint Statutory 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 4th Annual General Meeting till the conclusion of 5th 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. To consider the Re-appointment Mr. Manish Purshottam Thakkar who retires by rotation, and being eligible, offers himself for reappointment as Director.

"RESOLVED that Mr Manish Purshottam Thakkar, Director be and is hereby reappointed as the Director of the company and shall be liable to retire by rotation."

SPECIAL BUSINESS.

4. Appointment of Mr. Arun Prakash Sandilya as an Independent Director.

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

"RESOLVED THAT pursuant to provisions of Section 149 of Companies Act, 2013 read with Schedule IV and other applicable provisions, if any, of the Companies Act 2013, and as per Rule 4 Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification or re-enactment(s) thereof, for the time being in force), and as per the Article of Association of Company, subject to such other consents and permissions as may be required by statute, the consent of the Shareholders be and is hereby accorded for the appointment of Mr. Arun Prakash Sandilya as an Independent Director on



the Board of North East Small Finance Bank Limited for a term of five years with effect from 18.01.2020 to 17.01.2025."

"FURTHER RESOLVED THAT Ms. Rupali Kalita, MD & CEO and Mr. Mukesh Singh Verma, Company Secretary & CCO of the Bank be and is hereby authorized to do all such acts and deeds and things to give effect to the above resolution."

5. Appointment of Mr. Ranjit Goswami as an Independent Director.

To consider and if thought fit to pass with or without modification (s) the following resolutions as a special resolution:

"RESOLVED THAT pursuant to provisions of Section 149 of Companies Act, 2013 read with Schedule IV and other applicable provisions, if any, of the Companies Act 2013, and as per Rule 4 Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification or re-enactment(s) thereof, for the time being in force), and as per the Article of Association of Company, subject to such other consents and permissions as may be required by statute, the consent of the Shareholders be and is hereby accorded for the appointment of Mr. Ranjit Goswami as an Independent Director on the Board of North East Small Finance Bank Limited for a further term till he attains the age of 70 years on **09/03/2024** as per the RBI Circular no. DBOD.No.BC. 24/08.139.001/2002-03 dated September 9, 2002."

6. Appointment of Ms. Rupali Kalita, DIN: 02114098, as Managing Director & CEO.

To consider and if thought fit to pass with or without modification (s) the following resolutions as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 & 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications or re-enactment(s) thereof for the time being in force), the consent of the Shareholders be and is hereby accorded for the re-appointment of Ms. Rupali Kalita, DIN: 02114098, as Managing Director & CEO of the Bank for a further period of 03 Years with effect from **17.10.2020 to 16.10.2023** on the remuneration and terms & conditions approved by the Board, subject to the approval by Reserve Bank of India in compliance to the prescribed RBI Guidelines on Compensation of WTD/CEO"

"RESOLVED FURTHER THAT any Director or KMPs of the Bank, be and is hereby authorized to do all such acts, deeds, matters and things as deem necessary for the purpose of giving effect to the aforesaid resolution."

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

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

Place: Guwahati
Date: 02/09/2020

**NOTES:**

1. A member entitled to attend and vote at the 4th 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 authorized 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) authorized 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 2019-20 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

Sd/-

Mukesh Singh Verma
Company Secretary & CCO

Place: Guwahati
Date: 02/09/2020



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

Item No.4:

Mr. Arun Prakash Sandilya [DIN-07883516] was appointed as Additional Director in the Board meeting dated 22.01.2020 as per the provisions of Section 161 (1) of Companies Act, 2013. Further, as per the provisions of Section 149 of the Companies Act, 2013 read with Schedule IV and as per Rule 4 Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. Arun Prakash Sandilya as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 18.01.2020 to 17.01.2025. Therefore, Shareholders approval is required for the appointment of Independent Director in the Board of the Bank. No Director other than Mr. Arun Prakash Sandilya himself concerned or interested in the Resolution set out at Item No. 4.

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

Item No.5:

Mr Ranjit Goswami appointed in North East Small Finance Bank Limited as a first director on 25.07.2016 thereafter Reserve Bank of India vide its letter No. DBR. Appt. No. 4351/29.44.008/2016-17 dated 17th October 2016 has approved his appointment as director for the four years i.e. till 16.10.2020 which was further classified as Independent Director.

Mr. Ranjit Goswami, independent director of the Bank is instrumental and pioneer in guiding the organization to become a small finance bank from a NBFC-MFI and then securing scheduled status for the bank, the first private sector bank from North East India. With his vast banking experience of over 38 years in various field of banking and in the whole region, it is our earnest desire and request that he must continue for another term for guiding the Bank in the next few critical years where equity dilution and IPO is planned. Management is proposing re-appointment of Mr Ranjit Goswami a further term till he attains the age of 70 years on **09/03/2024** as per the RBI Circular no. DBOD. No. BC. 24/08.139.001/2002-03 dated September 9, 2002. No Director other than Mr. Ranjit Goswami himself concerned or interested in the Resolution set out at Item No. 5.

Further, Mr. Ranjit Goswami is not related to any other Director or Key Managerial Personnel of the the bank. The Board of Directors recommended for the passing of the Special Resolution as set out in Item No. 5 of the Notice.

Item No. 6:

Ms. Rupali Kalita (DIN 02114098) was appointed as Managing Director & CEO with effect from October 17, 2017. In terms of RBI requirement, Bank has categorized her as 'Managing Director & Chief Executive Officer'. The Board is of the opinion that her continued association with the Bank as a Managing Director & CEO would be beneficial to the Bank. She 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 as per Section 35B(1) of the Banking Regulation Act 1949, approval of the shareholders be and is hereby requested for re-appointment of Ms. Rupali Kalita as a Managing Director & CEO for a period of 3 years commencing from October 17, 2020 till October 16, 2023. No Director other than Ms. Rupali Kalita herself concerned or interested in the Resolution set out at Item No. 6.

Further, Ms. Rupali Kalita is not related to any other Director or Key Managerial Personnel of the Bank. The Board of Directors recommended for the passing of the Special Resolution as set out in Item No. 6 of the Notice.

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

Place: Guwahati
Date: 02/09/2020

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,

4th ANNUAL GENERAL MEETING- WEDNESDAY, SEPTEMBER 30, 2020 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 4th Annual General Meeting of the Company at Board Room, 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati-781028 on Wednesday, September 30, 2020.

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

Strike out 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"**.

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**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 4th Annual General Meeting of the company, to be held on Wednesday, September 30, 2020 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.

Effect of such Resolution as are indicated overleaf.			
Resolution No.	Resolution	Vote (See Note 3)	
Ordinary Business		for	against
1	To receive, consider and adopt the Audited Financial Statement & Directors Report for the year ended 31st March, 2020 and Auditor's Report and the comments thereupon.		
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	To consider the Re-appointment Mr. Manish Purshottam Thakkar who retires by rotation, and being eligible, offers himself for reappointment as Director.		
Special Business			



4	To approve the appointment of Mr. Arun Prakash Sandilya as Independent Director in the Board of Directors of the company wef January 18, 2020 for a term of 5 years i.e. till January 17, 2025.		
5	To approve the appointment of Mr. Ranjit Goswami as Independent Director in the Board of Directors of the company for a further term till he attains the age of 70 years on 09/03/2024 as per the RBI Circular no. DBOD.No.BC. 24/08.139.001/2002-03 dated September 9, 2002.		
6	To Approve the re-appointment of Ms. Rupali Kalita as Managing Director and CEO of the Bank for a further period of 03 Years with effect from 17.10.2020 to 16.10.2023 on the remuneration and terms & conditions approved by the Board subject to RBI Approval.		

Signed this day of 2020.

Signature of Shareholder
on revenue stamp

Note:

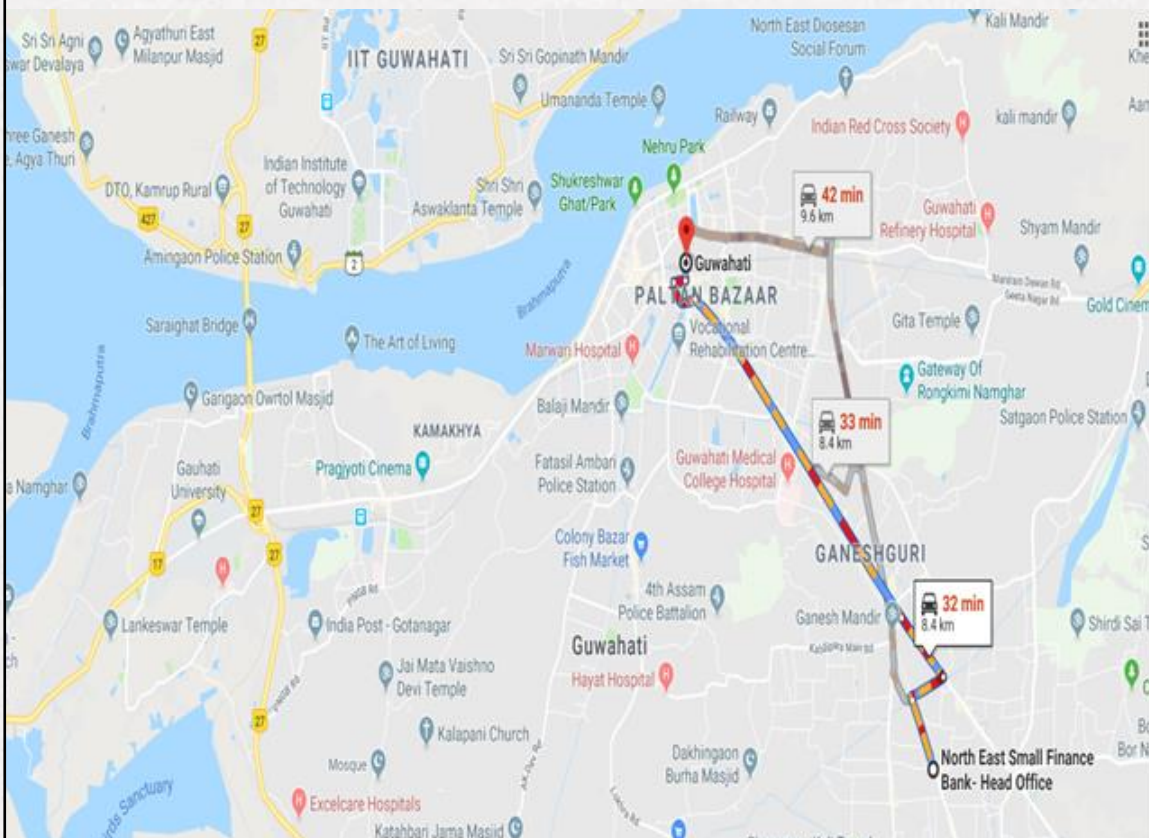
1. This form of Proxy in order to be effective should be duly completed and deposited at Registered & Corporate Office: 1st & 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati, Assam-781028, not less than 48 hours before the schedule time of the meeting.

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.

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ROAD MAP
AGM VENUE-NORTH EAST SMALL FINANCE BANK LIMITED

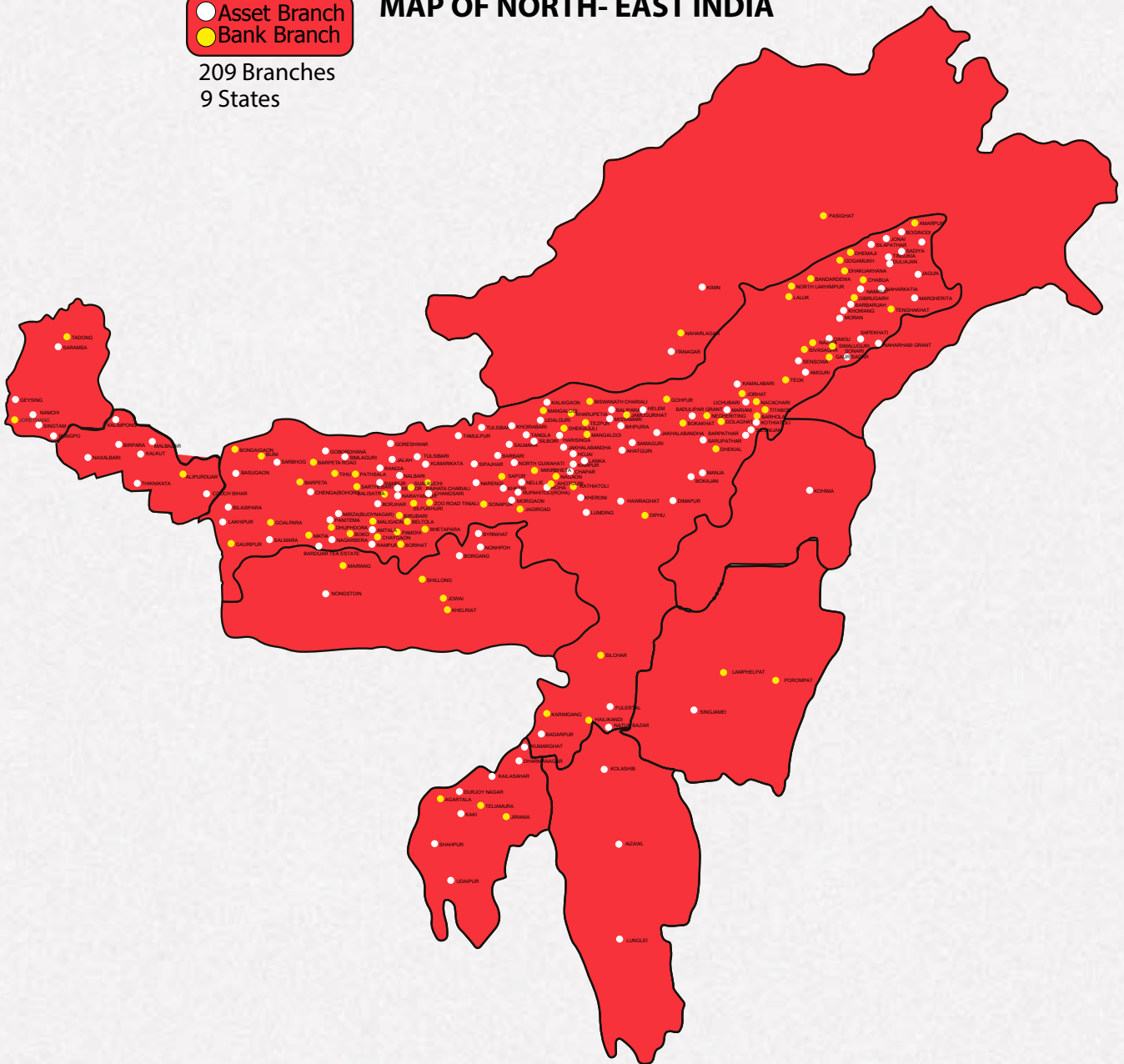


OUR PRESENCE

- Asset Branch
- Bank Branch

209 Branches
9 States

MAP OF NORTH- EAST INDIA





North East
Small Finance Bank
Your Doorstep Banker

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