

CHATURVEDI & CO.

CHARTERED ACCOUNTANTS

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(H.O. Kolkata. Branches at : Delhi, Mumbai, Chennai, Lucknow)

Independent Auditors' Review Report on Standalone Unaudited Financial Results for the Half Year ended September 30, 2023 of North East Small Finance Bank Limited

To,
The Board of Directors
North East Small Finance Bank Limited
1st & 3rd Floor, Fortune Central,
Basisthapur, Bye Lane 3, Beltola Guwahati,
Assam-781028

1. We have reviewed the accompanying statement of unaudited interim financial statements (hereinafter referred to as the "interim financial statements") of North East Small Finance Bank Limited ("the bank") comprising the Balance sheet as at September 30, 2023, statement of Profit and Loss and statement of cash flows for the half year then ended and select explanatory notes prepared by the Management for internal Management's purposes.
2. These interim financial statements, which are the responsibility of the Bank's Management and approved by the Board of Directors have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 'Interim Financial Reporting' ('AS 25') prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ('RBI Guidelines') as applicable to banks, to the extent considered relevant for the purpose for which interim financial statements have been prepared and other recognized accounting principles generally accepted in India. Our responsibility is to express a conclusion on the interim financial statements based on our review.
3. We conducted our review of these statements in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India ("ICAI"). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free of material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion

4. As stated in:

- a. The management has upgraded 42940 Number of Accounts having advances of Rs 7287 lacs during the period. However, in course of our Review of the Financial Statement we observed that the upgradation is not in accordance with the IRAC norms of RBI as applicable.
- b. The Bank has migrated to new CBS (BSG) on 24th April, 2023. However, there are certain issues relating to generation of reports and data. Therefore, we have conducted our review on the basis of the information, explanation and various data provided by the management and we have relied on the management for the accuracy and validity of the same. Further, the system has generated negative balance in certain General Ledger Accounts, which may have consequential impact in the preparation of the Financial Statement, amount of which is not ascertainable.



- c. An amount of Rs. 4034 Lacs was accounted for as receivable vide letter no. FD-12/42/2021-IF_FIN-Finance (Ecif:174539) dated 30th June, 2023 under Assam Micro Finance Incentive and Relief Scheme, 2021-CAT III against which only Rs. 3693 lacs are received by the bank as on 23.09.2023. The remaining balance of Rs. 341 lacs not receivable needs to be written off.

Our report stands modified in respect of above matters.

5. Based on our review conducted as above, subject to the limitation in scope as mentioned in para 3&4 above, read with the notes to unaudited financial results, nothing has come to our attention that causes us to believe that the accompanying statements of unaudited interim financial results read together with the notes thereon, prepared in accordance with the recognition and measurement principles laid down in AS 25 prescribed under Section 133 of Companies Act, 2013 read with relevant rules issued thereunder, RBI Guidelines and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Regulation including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters Except as stated in Para 4 (a) (b) (c).

Other Matter

6. We draw attention to the following:-
- a. The potential impact of accounts restructured under COVID-2.0 resolution on the Bank's results is dependent on future developments which are uncertain. (Note No 5 of Schedules 18)
 - b. The potential impact of accounts restructured under Flood related natural Calamity as per Govt. of Assam Revenue Department notification issued on 2nd August 2022 on the Bank's results is dependent on future developments which are uncertain. (Note No 6 of Schedules 18)
 - c. The potential impact of accounts restructured under violence and unrest in the state of Manipur as per Govt. of Manipur notification issued on 21st June 2023 on the Bank's results is dependent on future developments which are uncertain. (Note No 7 of Schedules 18)
7. The report is addressed to the Board of Directors of the Bank solely for the purpose of internal management purposes. We shall not be liable to the Bank or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For Chaturvedi & Co.
Chartered Accountants
(FRN: 302137E)

Amit Kumar

Amit Kumar
(Partner)

Membership No. 318210



UDIN: 23318210848RNL8615

Place: Kolkata

Date: 26/12/2023