

Growing Against All Odds



ANNUAL REPORT 2020-2021



North East
Small Finance Bank
Your Doorstep Banker

A Scheduled Commercial Bank

9 States



**Portfolio Outstanding
INR 1732 Crores**



214 Branches



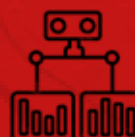
5,74,274 Clients



Profit After Tax INR 7.18 Crore



CAR 21.22%



Vision

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

Mission

Preffered 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 atlarge.



CONTENT

1.	Almanac	6
2.	MD & CEO Speaks	7
3.	Board of Directors- Profile	9
4.	Key Managerial Personnel	15
5.	Senior Managerial Personnel	17
6.	Equity Investors	20
7.	Management Discussion and Analysis	21
8.	Corporate Social Responsibility	29
9.	Inspiring Stories of Success	36
10.	Director's Report	41
11.	Secretarial Auditor's Report	61
12.	Independent Auditor's Report	74
13.	Notice of AGM	118
14.	NESFB Road Map	126
15.	Our Presence	127

ALMANAC

1

At the close of the FY 2020-21, we have a network of 214 branches which includes 169 bank branches and 45 asset offices, our liability book gained momentum with deposits growing to Rs.1277 crores as on 31st March, 2021. In terms of our Asset business, we have achieved a Portfolio Outstanding of Rs.1732 crores as on 31st March, 2021. Further, as on 31st March, 2021, we have touched and improved the lives of over 5.74 lakh clients spread across 9 states.

RBI have approved the directorship of Mr. Adayadiyill George Varughese, Mr. Podury Venkata Suryalakshimi Narasimha Murty, Mrs. Manjula Saikia Bhuyan, Ms. Suvalaxmi Chakraborty and MR. S R Meena on the Board of North East Small Finance Bank.

2

3

RBI has granted the approval for reappointment of Ms. Rupali Kalita as the MD & CEO of North East Small Finance Bank for a period of 3 years w.e.f 17th October, 2020 vide its letter no. **DoR.Appt.No. 630/29.44.008/2020-21** dated 30th September, 2020.



FROM THE DESK OF THE MD & CEO



Dear Shareholders,

It gives me immense pleasure to share with you our performance for the year and perspective's on the way forward.

FY 2020-21 was an extra ordinary year marked by once in a century health hazard of pandemic proportion – 1st wave of Covid -19, followed by complete lockdown to curb spread of infection across India, the gradual unlocking, health hazard to our staff, followed by slow revival of the local economy along with introduction of new legislation with year-end seeing 2nd wave of Covid-19 – these are few of the multiple challenges, we as a SFB faced across the full year.

The economic fallout of the pandemic and collapse of economic activities during the lockdown followed by subsequent very slow revival of income generating activities has impacted the NE Region a lot more. The borrower segment has seen a lot more demand of consumption loans to tide over the crisis time and post the moratorium period being over as of 31st August 2020, the contracted repayment has created additional pressure on them. This pressure pushed many back to Informal Financial Sector which basically creates more debt challenges to them and pushes them away from Banking channels. A large population asked for support in the form of Credit Support Loans for Liquidity and Consumption, again which SFBs find it challenging to meet owing to existing restrictions from regulatory perspective.

The positive side was the agrarian sector performing very well during the challenging time. By and large the largest of the segment – Services sector has seen tepid credit demand as consumption

cycle has not fully revived and people are still in wait and watch mode with fear of loss of livelihood or re-emergence of Covid-19 subsequent waves and associated difficulties. The micro and small enterprises which are principally unregistered as of date has seen various difficulties as demand is still reviving slowly. All this with present debt obligations pushes the borrowers to be lot more conservative for fresh credit offtake.

The MF Ordinance Bill for regulating the microfinance sector in Assam and announcement of loan waivers as part of electoral promises have also created a negative environment for the market participants. We tried our level best to make borrowers aware of maintaining credit discipline but a large segment of borrowers now awaits final loan waiver announcement.

The year ended with Covid 2nd Wave – The onslaught of Covid pandemic 2nd wave and various restrictions by state government and district administrations have further created a new challenge for safe operations of the bank. We lost our own staff during the year in operations and have seen many of our staff being infected while continuing to perform duties under Emergency Services. The disruption in Banking Operations, the high risk to human capital, the sudden spike in infection rates and declaration of containment zones – the year gone by had seen such challenges repeatedly.

We ended the year with a nominal profit, but our financial strength saw a little bit of weakening when we compare year on year. This was principally due to rise in Non-Performing Assets. We would like to draw your kind attention to increase in NPA (net) for NESFB and would like to clarify that for sudden withdrawal of Supreme Court order on non-declaring of net NPA's on 23rd March, 2021, all the loan portfolios under Covid moratorium had to be declared as net NPA on 31st March, 2021 carrying it to 7.19% against historic NNPA <2%. These NPAs are temporary in nature and as and when Covid recedes with livelihood generation being stabilised, they will come out of such stress.

I would like to take this opportunity to thank our customers, suppliers, shareholders, employees and the Board for their constant support, faith and trust in us, with the belief that it will continue for the times to come.

I also thank NABARD, SIDBI, Government Executives, Reserve Bank of India Officials for their guidance and support during this time of crisis.

We will continue to grow from here and strengthen the organization going forward. The coming year FY21-22 will see NESFB initiate a transformation cycle as we plan our roadmap for the multi-year growth path and finally unveiling a public issue in next two years.

Yours sincerely,

Rupali Kalita
MD & CEO

COMPOSITION OF THE BOARD OF NESFB LTD

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. RANJIT GOSWAMI	INDEPENDENT DIRECTOR	INDIAN
4	MR. DEEP CHANDRA JOSHI	INDEPENDENT DIRECTOR	INDIAN
5	DR. GAUTAM BARUA	INDEPENDENT DIRECTOR	INDIAN
6	MRS. MANJULA SAIKIA BHUYAN	INDEPENDENT DIRECTOR (APPOINTED ON 20.01.2021)	INDIAN
7	MR. ARUN PRAKASH SANDILYA	INDEPENDENT DIRECTOR	INDIAN
8	MR. PODURY VENKATA SURYALAKSHIMI NARASIMHA MURTY	INDEPENDENT DIRECTOR (APPOINTED ON 20.01.2021)	INDIAN
9	MR. MANISH THAKKAR	NOMINEE DIRECTOR	INDIAN
10	MR. ADAYADIYILL GEORGE VARUGHESE	NOMINEE DIRECTOR (APPOINTED ON 17.10.2020)	INDIAN
11	MR. ROBERT DUNN	NOMINEE DIRECTOR	AUSTRALIAN
12	MR. S R MEENA	NOMINEE DIRECTOR (APPOINTED ON 24.02.2021)	INDIAN
13	MS. SUVALAXMI CHAKRABORTY	NOMINEE DIRECTOR (APPOINTED ON 20.01.2021)	INDIAN

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).

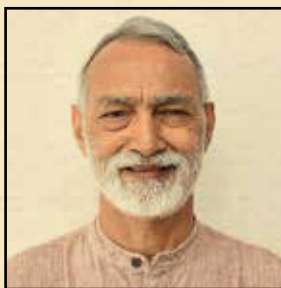
Ms. Rupali Kalita**Managing Director & CEO**

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, Malay-

sia, to name a few. She has also attended a certificate course on Strategic Leadership in Financial Inclusion in HARVARD, USA in March 2016. Also attended an Enterprise Leadership course in Insead Fontainebleau, Paris in August 2018. She had recently attended a workshop on Board Governance & Leadership Development at Goa in March, 2021. Ms. Kalita is material in transforming RGVN-CSP (NGO) into an NBFC (RGVN MFL) and then to NESFB (Scheduled Commercial Bank). 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.

Mr. Ranjit Goswami**Independent Director**

Mr. Goswami had joined SBI as Probationary Officer in 1975 and had retired in 2014 as CGM[HR] from the SBI Corporate Centre in Mumbai. He has worked in wide range of assignments covering entire gamut of banking operations in different parts of India and also abroad. His critical areas where he has gained expertise include Treasury, Credit Department, Rural Development, Banking Operations, HR and Inspection. He has been associated with NESFB since 15th December, 2015.

Mr. 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.

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.

Mrs. Manjula Saikia Bhuyan
Independent Director


Mrs. Manjula Saikia Bhuyan is a Bachelor of Engineering (Electrical) from SV Regional College, Surat (NIT) and has 36 years of experience in the field of Industrial Sector particularly in agriculture & rural economy, Small Scale industry. As an Indian Administrative Service (IAS) officer she worked various vital position as Joint Secretary, Industries & Commerce, Additional Secretary, Industries & Commerce Deptt and retired as Secretary, Industries & Commerce and Transport Department.

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. 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. Poduri Venkata Suryalakshmi Narasimha Murty**Independent Director**

Mr. Poduri Venkata Suryalakshmi Narasimha Murthy, retired Chief General Manager, State Bank of India North East Circle. A Graduate in Commerce and Masters in IR & PM, Shri Murty joined the Bank in the year 1980. He has the distinction of holding a variety of challenging assignments in the Bank. Prior to taking over charge as Chief General Manager of the Circle on August 21, 2015, he was posted as General Manager (Network II) in Bhubaneswar. He has vast experience of working in five Circles and also in Bank's Corporate Centre. Shri Murty has worked in operations all throughout his career and has vast knowledge in Credit, NPA Recovery & Monitoring, Besel III Norms etc. He carries with him a rich combination of

knowledge and experience which proves to be quite useful in delivering his duties as the flag bearer of the Bank in the North East.

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. Adayadiyill George Varughese
Nominee Director


Mr. Varughese has over 44 years of total experience in all facets of banking which includes more than 21 years of unblemished and successful track record in Top Management Cadre. He was Former Senior Vice President (Erst-while Executive Director position) of South Indian Bank and served as Executive Vice President (ED's Cadre) in Esaf Microfinance & Investment Ltd and Esaf Small Finance Bank, after leading the internal team for setting up the ESAF Small Finance bank. He has Efficiently handled specialized verticals like Retail Banking, Wholesale Banking, Treasury, International Banking, Risk Management and Compliance. He has Extensive experience in Technology Management. Headed the Technology Dept of the South Indian Bank for three

years and during the period set up a state of art Data Centre at Kochi for South Indian Bank. Mr. Varughese has done MBA in Finance and having various Diplomas in Banking and financial Domain. He is also Fellow Member of the Indian Institute of Banking and Finance, Bachelor in General Law (BGL). He has Conducted a number of seminars involving either as Chief Guest or for Key note address including All India Seminars/ Workshops on various professional topics. His featured Articles Published in professional journal "The Professional Banker" on retail Banking, and in the House Magazine.

Mr. Robert Douglas Dunn
(Nominee Director- DiaVikas 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 DiaVikas 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.

Mr. Shri Ram Meena
Nominee Director


After initial service of about 3 years with Air India and Ministry of Finance, Government of India [Banking Division], Mr. S.R Meena has joined Small Industries Development Bank of India [SIDBI] in December 1996. More than 24 years of experience working with SIDBI in officer grade and worked in various capacities and geographies. At present working as Deputy General Manager (DGM) Guwahati Regional Office of SIDBI.

Ms. Suvalaxmi Chakraborty

Nominee Director



Ms. Suvalaxmi Chakraborty is a Chartered Accountant and has over 30 years of experience in the field of financial services and banking. She has featured in the Fortune India List of 50 most powerful women in business. She held several positions at ICICI Ltd and ICICI Bank between 1989 and 2006, including General Manager for Corporate Banking and Head of Rural, Micro-banking and Agri Business. She was Director on the Board of Fixed Income Money Markets and Derivatives Association (FIMMDA) for over 2 years and headed the working committee (New Products) in FIMMDA (representing ICICI). She launched and ran the commercial banking business of Barclays Bank in India

from 2007 to 2010, after which she was Chief-Executive Office for the Indian operations of State Bank of Mauritius from 2010 to 2013. In 2014, she was also Advisor for Transwarranty Finance Ltd and Positron Consulting Services, with advisory assignments spanning debt syndication, Mergers & Acquisitions and capital raising for midmarket corporates, among others.

Currently she serves as an Independent Director for Magma HDI General Insurance Company Ltd, and Caspian Impact Investments Pvt Ltd. She is also serving on the board of North East Small Finance Bank Ltd as a nominee director. She is Co-Founder and Director of Espandere Advisors Private Ltd, which is a Business Advisory and Transaction Advisory services provider in the Banking & Finance, Agriculture & Rural, Infrastructure and Manufacturing sectors. She is also Advisor for Fullerton India Credit Company Ltd, which is a 100% step down subsidiary of Temasek Holdings (Pte) Ltd, Singapore. She has a B. Com. (Hons) degree from Calcutta University and in 1999 completed the Financial Investment Technology Program of the Berkeley Program in Finance at HAAS School of Business at University of California, Berkeley, California. In 2002 she participated in the Leading Change and Organizational Renewal Program at the Graduate School of Business, Stanford University, California, and she has also participated in the 'Women on Corporate Boards' initiative initiated by FICCI Centre for Corporate Governance.

KEY MANAGERIAL PERSONNEL

Ms. Rupali Kalita

Managing Director & Chief Executive Officer



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. Also attended an Enterprise Leadership course in Insead Fontainebleau, Paris in August 2018. She had recently attended a workshop on Board Governance & Leadership Development at Goa in March, 2021. Ms. Kalita is material in transforming RGVN-CSP (NGO) into an NBFC (RGVN MFL) and then to NESFB (Scheduled Commercial Bank). 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.

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 and Chief Compliance Officer/MLRO



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 14 years of Post membership qualification (PMQ) as a Company Secretary and has across industry experience in Corporate Affairs, Regulatory Compliances, Corporate Legal, Banking Regulation, AML, IPR, IRDAI Compliances, IPO, Open Offer under SEBI Takeover Code, SEBI Regulations, Labour Law Compliances, FEMA Guidelines 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 is a Commerce Graduate/ B.COM (Honours), Fellow member (FCS) of the Institute of Company Secretaries of India (ICSI), New Delhi, Member (MCSI) of Chartered Institute for Securities & Investment (CISI), Certification in “IT & Cyber Security for Senior Management” from “Institute for Development and Research in Banking Technology” [IDRBT] and has recently Qualified self-assessment proficiency test for IDs from Indian Institute of Corporate Affairs (IICA). Further he has attended various webinars and National convention of ICSI during the year, pursuing Certification Courses, and Post Graduate Management and Legal courses as a continuous study process and professional development.

SENIOR MANAGEMENT PERSONNEL

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 Vice President



Mr. Dipanjan Chatterjee 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. Sabyasachi Ray Chaudhuri

Chief Operations 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. Rohit Sharma

Chief Technology Officer



Mr. Rohit Sharma has joined North East Small Finance Bank as Chief Technology Officer. Mr. Sharma has over 18 years of rich experience architecting, implementing and managing IT based business enabler systems primarily in banking domain. Mr. Sharma started his career as a Software Programmer with RajCOMP in 2001 before joining Punjab National Bank in 2002 where he worked over 5 years. Then he briefly worked with Canara Bank. In 2009, Mr. Sharma joined ICICI Bank and worked there for 5 years. Mr. Sharma in his professional journey, also worked with Axis Bank and Yes Bank. He hoined us from AU Small Finance Bank, where he was working as Delivery Head for Retail Liabilities Applications, IT since May 2019. Mr. Sharma has masters degree in Science (MSc.) from MDS University, Ajmer and masters in computer applications (MCA) from Jai Narain Vyas University, Jodhpur in addition to his professional certifications of CAIIB and JAIIB from IIBF.

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. 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.

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 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 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.

EQUITY INVESTORS

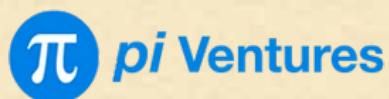
1. The equity capital of the bank is 100% hold by RGVN (NE) MFL.
2. The following marquee investors hold equity of holding company.



BCDT



**RNT ASSOCIATES
PVT LTD**



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FY 20-21 has been a challenging year for North East Small Finance Bank started with Covid impact seen across the world along with multiple socio-economic issues.

Key highlights of financials are presented as below:

	(Rs in '000)	
Particulars	FY 2020-21	FY 2019-20
Interest income	31,44,135	30,54,378
Other income	1,79,631	1,96,646
Total income	33,23,766	32,51,024
Expenditure		
Interest Expended	13,91,212	13,67,295
Operating Expenses	14,19,899	13,26,198
Provisions and Contingencies	4,40,830	4,31,640
Total expenditure	32,51,941	31,25,133
Net Profit After Tax	71,825	1,25,891
Profit Brought Forward	4,68,432	4,16,513
TOTAL	5,40,257	5,42,404
Transfer to Statutory Reserve	17,956	31,472
Transfer to Investment Fluctuation Reserve	50,000	42,500
Balance Carried to Balance Sheet	4,72,301	4,68,432
TOTAL	5,40,257	5,42,404
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	0.24	0.43
Diluted	0.24	0.43

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS

We have achieved a Portfolio Outstanding of Rs.1732 crores as on 31st March, 2021 which is well below our projected year end portfolio owing to the socio-economic issues and Covid-19 crisis that took place across the world.

However total deposit has seen a rise to Rs. 1277 crores as on 31st March, 2021 as against Rs. 890 crores as on 31st March, 2020 which has increased by 43%.

As on 31st March, 2021, we have a total of 214 branches which consists of 169 Bank Branches and 45 Asset Offices spreading across 9 states (Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Meghalaya, Nagaland and West Bengal).

OPERATIONS

Our branches reflect our Bank's image and serve as an indicator of our growth history. With close to nearly 169 bank branches and 45 asset offices spanning across 9 States (Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Meghalaya, Nagaland, Sikkim and North Bengal) in India, our branches mobilize deposits from new-to-bank customers as well as of existing Loan Customers and drive the customer engagement strategy across our various products and services. We continue to focus on enhancing our presence in urban, semi urban and rural India and increasing our physical presence in both banked and unbanked rural regions.

Central Operations Team supports the Branches in Account Opening, Account Servicing, MF Loan Other Bank Disbursement, Treasury Back Office Operations and Retail Asset Loan Operations viz. Enterprise Development Loan, Home Renovation, Loan against Rent Receivable, Personal Loan, Home Loan, NBFC-MFI Loan, Piggery, Poultry, Skill Development Loan. 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.

Central Operations is also managed the clearing activities centrally for 35 (Thirty-five) CTS clearing locations in PAN Bank. 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 uploading in CERSAI Portal, Processing of New Retail Asset products, RTGS 24X7 implementation, UPI, Hexagon Bill Payment (Retail Internet Banking).

CREDIT

The Department is based out of Head Office and covers all branches of the bank covering the entire spectrum of activities which encompasses credit evaluation, underwriting and decisioning across all such products dealing with individual as well as Institutional funding requirements, monitoring of the performance of the Retail Asset Book of the Bank, formulation and implementation of various product and process policies to keep up with our competitors in the market and adhere to the overall guidelines as set by the various regulators from time to time.

The department works on evaluation, decisioning, monitoring and management of the Retail Asset Portfolio of the Bank.

Key Deliverables of Credit Department for the year 2020-21:

- Introduction of Enterprise Development Loan for greater than 5 lakhs to 25 Lakhs, Cash Credit Facility, Home Loans.
- Further streamlining of various processes involved in the loan proposal assessment to improve upon the delivery time and enhance customer experience.
- Implementation of Profitability Calculators in case of Overdraft loan facility against Fixed Deposits for proper assessment of a loan proposal in view of the assumed profitability and there-by facilitating Branches in sourcing quality business proposals.
- Sanctioned in excess of Rs 3100 lacs across various products.
- Effectively managed the monitoring of the retail asset portfolio through engagement with concerned stakeholders at Branch, Cluster, Zonal and Head Office.
- Promoting a culture of compliance across the value chain towards laid down processes and policies thereby building a healthy and profitable asset portfolio for the Bank.

HUMAN RESOURCE

With the two waves of unprecedented Covid-19 pandemic, HR has undergone tremendous transformation while relentlessly supporting and motivating our employees through thick and thin. Despite the unfavorable conditions, HR continued to evolve at NESFB in FY 20-21. The top 5 key initiatives undertaken at the enterprise level by HR and the achievements accomplished while dealing with the adversities will give a glimpse of the overall transformation.

Following the go digital mantra, we, at NESFB, have had large implementations related to HR processes. Process of recruitment, employee on boarding, payroll, TDS processing, full and final settlements, staff confirmation, attendance system and importantly PMS are implemented in HRMS Work line and digitization of learning Management process providing a very integrated seamless HR experience to our employees. Some other important implementations of online loan and advances, TA / DA reimbursement and accounting entries of HR GLs are in the pipeline.

As part of our strategy for talent engagement, management and retention, 629 employees were provided with the opportunity to explore new avenues within the organization through job rotation and job enlargement. 45 employees were promoted to Retail business from Asset business through career progression.

With the revised plan for manpower due to the pandemic, HR on-boarded 174 new hires to the Bank. Chief Technology Officer and Head-MIS were two crucial closures for the Bank during this time. The team sensed the changing dynamics brought by the pandemic and the subsequent lockdown and adapted quickly enough the digital platform for interviewing candidates for fulfilling the manpower requirements.

In addition to the automation and digitalization, the role of HR has witnessed a new dimension in the form of employee engagement, safety and welfare during this testing time. It's satisfying to see that we were able to establish a close connection with our Covid-19 affected employees and tremendous effort were placed to continuously educating our employees about the pandemic, its changing dynamics and the importance of mental health. To provide little ease and giving the employees a sense of security, we introduced special Covid leave, rolled out work from home facility. Similarly, employees' life insurance benefits and the ex-gratia amount for funeral rites were increased in case of an unfortunate death. Among other employee benefits, Performance Linked Incentive (PLI), food allowance for specific field workers, salary corrections for a few staff etc. were also implemented.

As a learning organization, the focus in 20-2021 was to ensure all learnings are available to qualified learners. Hence, we moved to role base and need base learning interventions. Below are some important achievements and initiatives were undertaken:

- Total Internal & External Learning program offered during the year is 59.
- Total number of participants invited to all programs is 1917.
- Total number of participants who attended the multiple programs is 1604
- The learner attendance percentage stood at 84%.
- Total learning hours clocked during the year is 21,822/

1. Launch of LEAP: The leadership development program was launched during the year, this was to address the running need and importance of leadership in the present time with a human touch.

2. Pragati Mission FTR: The program was introduced to build on the need base requirement of all Branch banking employee to increase FTR in the process of customer on boarding.

3. 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, BIRD, IDBRT).

All the above programs were conducted on the digital platform.

TECHNOLOGY

NESFB has a dedicated technology team. These team aligns with business and strategic needs of the bank to provide cost effective solutions to customers and employees, across different platforms. The centralized 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), Corporate Internet Banking 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 has rolled out its own ATM network. Bank has implemented Tab Banking project to reach the door steps on the unbanked population in remote areas.

INTERNAL AUDIT

The function of Internal Audit Department of the bank is to provide an (assurance) to the Board of Directors and Senior Management on the effectiveness of internal controls 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 articulate 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 RBI guidelines relating to Risk Based Internal Audit.

The scope of RBIA includes examining the adequacy and effectiveness of internal control systems, external compliances and also evaluating the Residual Risk at the audit entities.

The Audit Committee of Executives (hereinafter referred to as “the Management Committee”) is appointed by the Board of Directors of North East Small Finance Bank Limited (hereinafter referred to as “the Bank”) and assists the Audit Committee of the Board (“ACB”) in review of the auditing and accounting matters, including the risks and compliances matters thereto.

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 Executives and Audit Committee of the Board, thereby ensuring its independence and being headed by Chief Audit and Vigilance Officer [CAVO]. 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.

Further as the COVID-19 (Coronavirus) pandemic progresses, its impact is felt worldwide and our audit universe is not an exception. To ensuring a comprehensive but flexible process to identify, assess, mitigate, and monitor critical risk enterprise-wide is of utmost importance at this juncture and Audit department initiated “Remote Audit” which was appreciated by ACB during early stage of lock down.

VIGILANCE

Vigilance is defined in dictionaries as “action or state of keeping careful watch for possible danger or difficulties.”

As in all organizations, vigilance activity in financial institutions is an integral part of the managerial function. Vigilance connotes watchfulness. In banking institutions risk-taking forms an integral part of business. Therefore, every loss caused to the organization, either in pecuniary or non-pecuniary terms, need not necessarily become the subject matter of a vigilance inquiry. It would be quite unfair to use the benefit of hind-sight to question the technical merits of managerial decisions from the vigilance point of view. At the same time, it would be unfair to ignore motivated or reckless decisions, which have caused damage to the interests of the organization. Therefore, a distinction has to be drawn between a business loss which has arisen as a consequence of a bona-fide commercial decision, and an extraordinary loss which has occurred due to any malafide, motivated or reckless performance of duties. While the former has to be accepted as a normal part of business and ignored from the vigilance point of view, the latter has to be viewed adversely and dealt with under the extant disciplinary procedures.

The main aim of Vigilance Department is to initiate steps to curb corruption and malpractices in the organization.

It takes several forms, which are often classified as: 1) Preventive vigilance 2) Investigative Vigilance and 3) Punitive vigilance.

Preventive Vigilance

Preventive vigilance is aimed at reducing the occurrence of a lapse (violation of a law, a norm, or, broadly speaking, a governance requirement)

The following Preventive Measures were adopted by Vigilance Unit for prevention of frauds in NESFB

- Surprise visit to branches
- Conduction of vigilance session at branches
- Vigilance capsules” were shared with branches at regular intervals “in to educate the users for non-recurring of such mistakes/frauds.
- On job workshop
- Sensitizing new recruits on various aspects of vigilance and proper conduct
- Close monitoring of branches through data analytics
- Deliberation on Whistle blower policy so that instances of corruption can be exposed by an employee without fear of retribution, or without the complainant's identity being disclosed to nip the frauds at the bud.

Investigative Vigilance

Investigative vigilance is aimed at identifying and verifying the occurrence of a lapse. 34 number of cases were investigated as a part of investigative vigilance for this fiscal. Root cause analysis of the frauds perpetrated is done and shared with the management for the prevention and better monitoring and control.

Punitive Vigilance

Punitive vigilance is aimed at deterring the occurrence of a lapse. The frauds reports are discussed in Disciplinary Action Committee and punitive actions are taken accordingly. Vigilance Department ensures speedy processing of vigilance cases at all stages.

Snapshot on Audit Conducted during the financial year 2020-21:

Sl No	Type Of Audit	Audit Done(YTD)
1	Micro Assets Audit (With Score)	159 (Out of which 23 Audits conducted through Remote Basis)
2	Risk Based Audit (RBA)	84 (Out of which 36 Audits conducted through Remote Basis)
3	System (Management) Audit	4
4	Thematic Audit	3
5	Vigilance Audit and Fraud Investigation	34
6	Concurrent Audit (HO)	24
7	Concurrent Audit (Branch)	71

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 including Fraud Control Unit 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 2020-21

In the FY 2020-21, 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 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

CSR ACTIVITIES IN 2020-21

The year 2020 was the most challenging year for majority of people across the globe. In India, the challenge is far greater due to many factors but the most prominent ones are the state of health infrastructure in general, water and sanitation facilities, cultural and behavioral belief system, density of population, etc. Since, the outbreak of Covid 19 last year, there has been a restriction on gathering of people in general and a fear among the masses and employees to participate in events of mass gathering. As an organisation too, we had tried to comply with the government notifications to avoid organising such events which might attract more trouble than provide benefit to its customers and for the Branch employees.



Once the restrictions were eased by the government, we commenced our CSR activities with full vigour. Even during the lockdown period, we provided support to many families through our Covid relief camps and Flood relief Camps.

The activities that propel our CSR vision are:

SKILL DEVELOPMENT – ‘ALORON’



North East Small Finance Bank in collaboration with Mulberry – a nonprofit grassroots-based organisation working with women weavers of Assam have launched a Skill development project for the handloom weavers of Assam in March 2018.

The main objective of the project is to empower the women who are credit linked to NESFB by skilling them and develop a market platform through which they generate income opportunities. As part of this, the brand ‘Aloron’ has been developed and launched that shall showcase the diverse hand-woven products of these weaver trainees and help by giving them

a platform to sell their products. As part of this programme, five Skill Development Programs (SDPs) were organized in different villages of Assam namely Baneikuchi, Aarangamow, Bhuktabari, Nichimpur and Hazarikapara. A total of 97 weavers have been trained in the first phase. 25 more trainees in Solpara - Mirza are undergoing training at present.

Aloron participated in the prestigious Mahindra Sanatkada Lucknow Craft Festival in February 2019. The various products of Aloron’s trained weavers were very well-received in their initial introduction to the outside market in the 5 -day exhibition.

FINANCIAL AND DIGITAL LITERACY

Financial Literacy Training Programmes have been one of the major activities that is being implemented. The current pandemic has caused many to reflect on the financial situation and look closely at their financial habits. The digital mode of transaction has on one hand opened up newer possibilities for the rural customers but also made them vulnerable to various digital frauds. These topics along with awareness on various government schemes, Banks schemes and products on income generation, livelihood promotion, Micro Enterprise etc. are some of the major contents in the financial and digital literacy training program. High NPAs, Microfinance Bill etc., false promises of waiving up of microfinance loan were also discussed in the training programmes. In the last financial year, we have conducted more than 500 Financial Literacy Camps benefitting more than 50,000 participants.



ZONE	Number of Branches conducted FLC	Number of Camps	Amount (INR)
Bongaigaon	8	8	91,280
Guwahati	4	5	1,48,425
Jorhat	25	431	23,97,200
Lakhimpur	14	86	16,28,985
Nagaon	5	6	29,005
Rangiya	5	20	2,47,189
Silchar	1	1	3,200
	62	557	45,45,284

HEALTH

Health care plays an important part in the financial economy of every household. The rural populace to a major extent are either dependent on the available government facilities or at the hand of quacks. Since Covid 19, the risk factor has increased many fold and we tried our best to support the needy within our jurisdictions. We supported many families through or Covid Relief Camps, where food items, sanitary items, face masks, sanitisers, soaps were distributed. In all the financial and digital literacy training camps, face masks and soaps were distributed to the participants. At the Branches, face masks and sanitisers were made available to all incoming customers.



General Health Camps: Abiding by the government restrictions, Branches managed to conduct 10 General Health Camps with the support of local MBBS Doctors and support staff. Due to Covid19, Hospitals associated with us could not go for Health Camps in the rural areas. Mizoram started their first CSR activity by organising 3 health camps in Aizawl, Kolasib and Champhai. Through the 10 Health camps we were able to benefit more than 750 participants.

Eye Camps: We could not organise eye camps as well due to the Covid 19 situation in the state. Only in the month of March, Bijohnagar Branch conducted one Eye camp with the support of Sankardeva Nethralaya. In addition to that we supported 86 cataract patients to get their eyes treated for free in Sankardeva Nethralaya.

ANIMAL HEALTH TREATMENT AND TRAINING

The majority of our customers depend on Agriculture and Allied activities for their livelihood. Rearing of animals, maintaining good health of all their animals and their survival is at the core of their existence. We have been able to provide free animal health treatment camp and training every year and this year too once the travel restrictions were lifted by the government, our in- house Veterinary Doctor covered 65 Branches in 6 Zones. We provided treatment and training to animals of 789 households.

FLOOD RELIEF CAMP

The state of Assam is affected by floods every year and this year it was a dual devastation along with Covid 19 pandemic. 14 of our branches took initiative and amidst all the restrictions managed to support more than 1500 households by supplying necessary household items such as food, sanitary pads, medicines, usable items etc.



EDUCATION

Mini Science Centre

We started a new project called “Mini Science Centre” in association with STEM learning Pvt. Ltd. with an aim to inculcate basic concepts of Science, Technology, Engineering, Mathematics at school level, thereby encouraging inclination of students / learners towards science and technology. Mini science Centre has a range of 75 table top working models with 33 back- drops and manuals in regional language providing hands-on experience for learning Science (Physics) and Mathematics for Class 5 through 10. The 3-year project is being implemented in Netaji Hindi Vidyapith M E School of Bongaigaon. Installation of the models have been completed and training of teachers has started.



HSLC & HSSLC toppers Felicitation

We also felicitated more than 60 HSLC and HSSLC ranked students in a public function organised by Mangaldoi and Sualkuchi Branch.



School Note Book Distribution

Amidst all the challenges that the schools in rural area faces, the students also has to manage with inadequate number of school writing copies. The parents too are unable to spend extra on buying the note books. A 120 page note book comes within a range of Rs. 40-60.

In order to support the students and their parents, we have distributed 49,266 note books to 8400 students of lower primary school across 29 NESFB branches in Assam. Each students received 6 number of note books (2 plain, 2 ruled, 2 Maths).



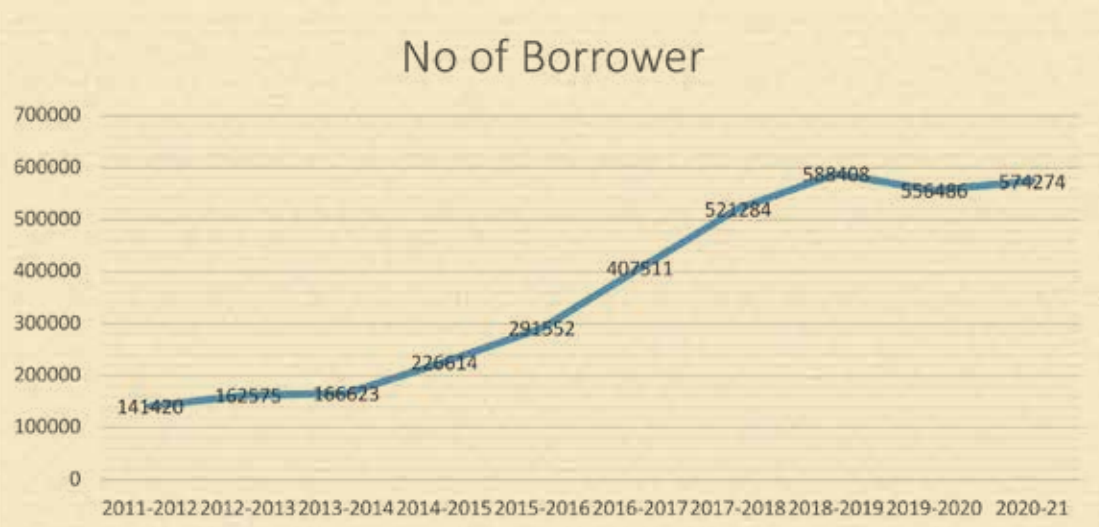
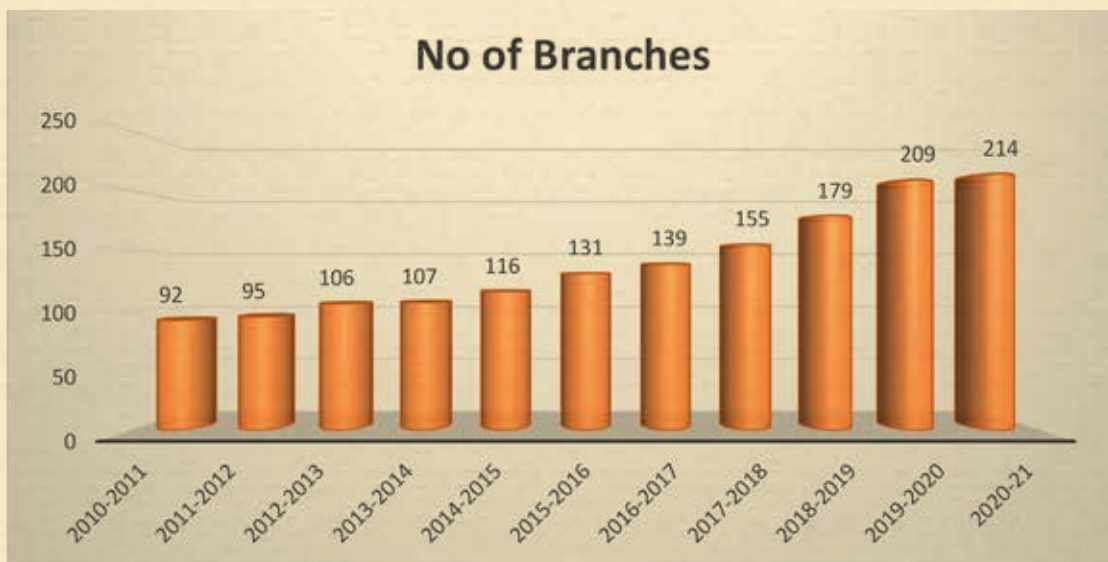
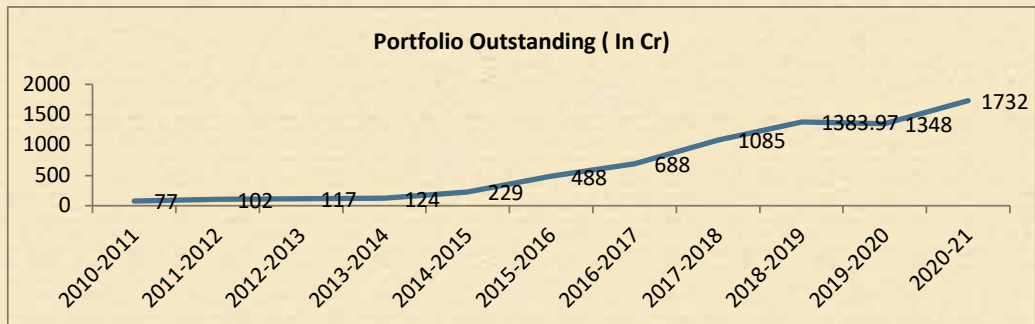
The students, parents and the teachers of those government supported primary schools welcomed and appreciated the initiative by the Bank. They said the books will not only help the students but will also give some relief to the household budget of the families.

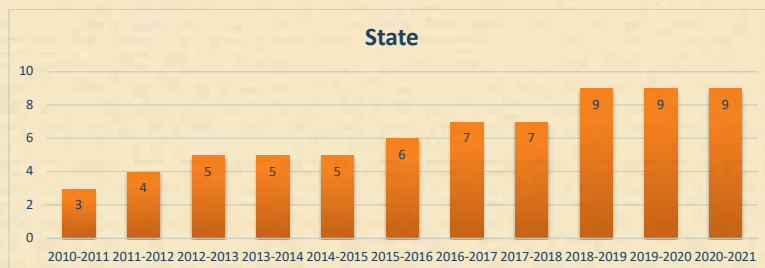
NON-FINANCIAL SERVICES

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:

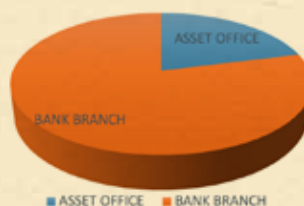
NON -FINANCIAL SERVICES	NUMBER OF BENEFICIARIES
ENTERPRISE SERVICES	25
Enterprise skills development	
Business development services	
Other enterprise services	
EDUCATION SERVICES	52450
Financial literacy education	
Basic health/nutrition education	
Child and youth education	
Occupational safety and health in the workplace education	
HEALTH SERVICES	765
Basic medical services	
Special medical services for women and children	
Other medical services	
WOMEN'S EMPOWERMENT SERVICES	600
Leadership training for women	
Women's rights education/gender issues training	
Counseling/legal services for female victims of violence	
OTHER NON- FINANCIAL SERVICES (Animal Health Camp)	789
TOTAL	54629

OPERATIONAL HIGHLIGHT

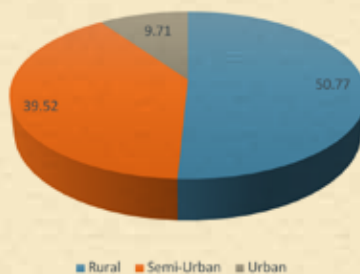




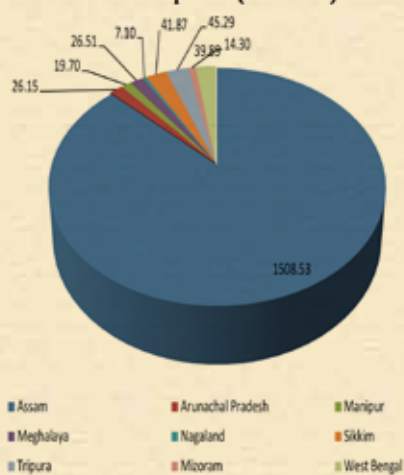
NOS OF BRANCH AS ON MARCH'21



Classification Wise Exposure (Amt In Cr.)



State Wise Exposure (Amt. in Cr.)



FINANCIAL HIGHLIGHT

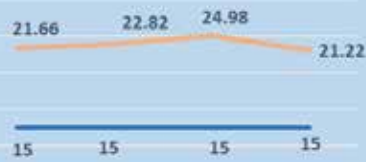
Successive Profit (in crore)



Grandfather Borrowings (in crore)



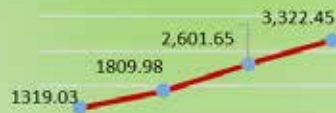
Capital Adequacy ratio %



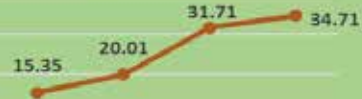
Interest Income (in crore)



Business Growth
(INR in Crore)



Revenue from Treasury Operation
(INR in Crore)



Book Value (INR)



CASA Growth (in crore)



INSPIRING STORIES OF SUCCESS

Shefali Pramanik Paul

Shefali Pramanik Paul, a resident of Baliasthan, Sonapur, prior to taking loan from NESFB has been rearing milking cows and selling the milk in the local market supporting her livelihood with her husband and two children. Her husband also contributed through daily wage labour. She started with a loan of Rs. 10,000/- from us in the year 2009 and started a small grocery shop. There was no grocery shop at her locality at that time. She gradually flourished in her business and went on increasing her stocks. Her present loan is her 8th cycle loan. With the increase of business, they started diversifying. Her husband Suresh Pramanik started wholesale business of coconut and betel nut. Thereby their economic condition improved considerably and her grocery shop became the most prominent grocery shop of her locality. Though the grocery business is in the name of her husband but she herself along with her elder daughter runs the business efficiently. They have now bought an E-rickshaw as well for commercial use. Besides carrying stocks for the family shop, the husband of the member ferries passengers and goods during the entire day. This is how the family has made considerable economic progress with financial assistance from NESFB. Both Shefali Pramanik and her husband Suresh Pramanik are very thankful to NESFB that the bank has helped them grow.



Krishna Ramadey

Krishna Ramadey: She is a resident of Bamunkhat village, Digaru. She has been associated with us since a long time. Her present loan is her 6th cycle loan, prior to taking loan from us, the primary economic activity of the family was paddy cultivation. She began her journey with us by taking a loan of Rs. 10,000/- with the help of which, she bought some fingerlings for her already existing fishery and also started duck rearing. Thereby her income gradually increased and then she took the next cycle loan of Rs. 30,000/- and bought some piglets and started a piggery. She succeeded in her piggery business as well and it started giving her good returns. Currently, she has expanded her business by starting a farm of local chicken. With the experience she gained in piggery business, she wanted to explore into new business venture of fishery, duckery and local chicken farm. She is proud of the fact that she has become economically self-reliant and she has been able to contribute economically to her family. All her 3 daughters and 3 sons have received education and all of them have studied at least to H.S. level. "She is very thankful to NESFB that the bank has always supported her to become economically independent and thereby improving her standard of living and expects support in future as she has plan of expanding her business further".



Soma Paul

Ms. Soma Paul resident of Ward No-9, Silchar, unfortunately lost her husband at an early age and was running a small way side pan shop in her locality to sustain her livelihood and taking care of her two children. She was facing lot of financial hardships to sustain herself and her family. She was looking for better opportunities to support her and children's financial requirements. She came across NESFB officials and came to know about various schemes that she could avail from the Bank and take a loan to improve her business. Initially she availed a loan amount of Rs.25000/- from NESFB and later due to her good track of repayment of loan amount she could further avail a loan of Rs.45000/-. In due course of time from the small pan shop she owned; she started a small grocery shop. Due to her sincere efforts and business handling proficiency, she further could further avail a loan amount of Rs.100000/- along with her daughter as a co applicant and expanded her grocery shop with more items and products and turned it up to a successful business enterprise. The grocery shop business in her locality flourished and she could have ready stock of variety of items and deliver most of the products as per requirements of the customers. Presently she has an income of around Rs.25000/- per month from the grocery shop business and tries her best to be financially sustainable and provide improved livelihood and education to her children and secure their future. She is very sincere and particular about her financial management and has been operating bank accounts in NESFB and UCO Bank. She has also been able to invest in insurance policies for herself and her children. She further wishes to avail a home loan and do some extensions work of her premises.



Sabitri Saikia

Amazing journey of a woman rural entrepreneur Sabitri Saikia of Lakhimi RCC Industry from a small town of Kalaigaon of Udalguri District of Assam. She started her entrepreneurship journey with a meagre capital of 25000 as a loan, as a member of a local JLG group. Next big step for her was to avail a bigger loan from Kalaigaon branch of NES-FB and starting a manufacturing unit of RCC products. She started producing RCC Pole, RCC Ring, RCC post etc. She ventured out to capture the rural Market of Kalaigaon town to begin with and gradually got the entire market of Udalguri District. She has now graduated from an entrepreneur to a job provider, today employing more than 7 workers in her small industry. Her turnover now is more than 18.00 lacs a year and is growing.



DIRECTOR'S REPORT



DIRECTOR'S REPORT

To
 The Members,
 North East Small Finance Bank

Your Directors take great pleasure in presenting their 4th Annual Report on the business and operations of the Bank together with Audited Statement of Accounts for the financial year ended 31st March, 2021.

Your Bank has continued its journey of stable growth despite the significant disruption caused by COVID 19 pandemic. This pandemic had a severe bearing on the collections, asset quality and sourcing of new business. Despite that, your Bank reported a Profit after Tax of INR 7.18 Crores with deposits growth by 43.49% and loan book growth by 27.47%.

1. FINANCIAL HIGHLIGHTS -

During the year under review, performance of your Bank is as under:

(INR in Crores)		
Particulars	FY 2020-21	FY 2019-20
Interest income	314.41	305.44
Other income	17.96	19.66
Total income	332.38	325.10
Expenditure		
Interest Expended	139.12	136.73
Operating Expenses	141.99	132.62
Provisions and Contingencies	44.09	43.16
Total expenditure	325.20	312.51
Net Profit After Tax	7.18	12.59
Profit Brought Forward	46.84	41.65
TOTAL	54.02	54.24
Transfer to Statutory Reserve	1.79	3.15
Transfer to Investment Fluctuation Reserve	5.00	4.25
Balance Carried to Balance Sheet	47.23	46.84
TOTAL	54.02	54.24
Earning Per Share (Face Value Per Share INR 10 each)		
Basic	0.24	0.43
Diluted	0.24	0.43

2. OPERATIONAL HIGHLIGHTS –

The total net loan portfolio outstanding of NESFB as on 31st March 2021 stands at INR 1,654.66 crore. The cumulative disbursement for the Financial Year 2020-21 stands at INR 1062.12 crore with PAR > 30 days of 28.97%.

The loan portfolio increased from INR1,358.35 crore to INR1,731.53 crore with a positive growth rate of 27.47% for the FY 2020-21.

The portfolio outstanding per branch office increased from INR 6.49 crore to INR 8.09 crore in the FY 2020-21.

The total deposit has increased by 43.49 % to INR 1,277.23 crore from INR 890.14 crore during the year. CASA ratio to total deposit is at 44.15%.

The number of branches increased from 209 to 214 in the FY 2020-21. NESFB has 214 operating branches, which includes 169 Banking outlets (BO) and 45 Asset offices (AO) spread across 9 states, namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur, Mizoram and West Bengal.

As on March 31, 2021

Particulars	Unbanked Rural Centers (URC)	Non-Unbanked Rural Centers	Total
Banking Outlet	135	34	169
Asset Office	38	7	45
Total	173	41	214

The total staff strength decreased from 2104 to 2025 during the FY reflecting a de-growth rate of 3.75%. 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 exhibits the total number of branches as on March 31, 2021.

State	Banking Outlet	Asset Office	Grand Total
Arunachal Pradesh	4	0	4
Assam	134	33	167
Manipur	3	0	3
Meghalaya	7	1	8
Mizoram	1	3	4
Nagaland	1	0	1
Sikkim	7	0	7
Tripura	7	2	9
West Bengal	5	6	11
Grand Total	169	45	214

Following table exhibits the divergence in asset classification and provisioning of NPAs as assessed by the RBI auditors in its AFI report 2020.

Divergence in Asset Classification and Provisioning for NPAs -(ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18,2017)

		(Rs. in thousand)
SI No.	Particulars	Amount
1	Gross NPAs as on March 31, 2020 as reported by the bank	2,62,850
2	Gross NPAs as on March 31, 2020 as assessed by RBI	10,84,179
3	Divergence in Gross NPAs (2-1)	8,21,329
4	Net NPAs as on March 31, 2020 as reported by the bank	1,62,114
5	Net NPAs as on March 31, 2020 as assessed by RBI	7,37,045
6	Divergence in Net NPAs (5-4)	5,74,930
7	Provision for NPAs as on March 31, 2020 as reported by the bank	1,00,736
8	Provision for NPAs as on March 31, 2020 as assessed by RBI	3,47,135
9	Divergence in Provisioning (8-7)	2,46,399
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2020	1,25,891
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2020 after taking into account the divergence in provisioning.	82,069

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 2020-21.

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 INR 7.18 Crores. It has transferred an amount of INR 1.80 Crores to statutory reserve fund & INR 5.00 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 BANK:

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 2020-21.

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. Enclosed as **Annexure I**.

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 in this Annual General Meeting in 2021. Bank has appointed M/s. Baweja & Kaul, Chartered Accountant Firm having their principal office located at New Delhi (HO Jammu) for FY 2021-22. In this regard, it is hereby informed that Bank has received the mandatory approval for appointing M/s Baweja & Kaul as Statutory Auditor from the Reserve Bank of India. The appointment of new Statutory Auditors for the FY 2021-22 has been approved by the shareholders 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. External Auditors have issued their Audit report containing two qualifications on Loans coupled with impact on related controls in this regard. The Audit Committee at their meeting dated 30th July 2021, advised Bank's Management to submit the reply on the Auditor's qualification.

Sr.no. 1.

During the financial year 2019-20, the Bank had restructured 42,801 loan accounts having aggregate gross outstanding balance of INR 893,104 thousand and outstanding balance net of provision INR 661,204 thousand as on 31st March 2021 (INR 821,329 thousand and INR 630,826 thousand as on 31st March 2020) and interest accrued thereon amounting to Rs 136,264 thousand on 31st March 2021 (INR 69,094 thousand as on 31st March 2020). During the current financial year, this restructured portfolio has not performed satisfactorily and accordingly as per the requirements of Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

dated 1st July, 2015 ("the Circular"), the said restructured portfolio should have been classified as per the applicable prudential norms in accordance with the pre-restructuring payment schedule.

However, the Bank has classified the restructured portfolio as per their post restructuring payment schedule. This has resulted into under-statement of provision on advances, over-statement of interest income and under-statement of Gross Non-Performing Advances. In the absence of appropriate classification of these loans as restructured loans as at March 31, 2021, we are unable to quantify the impact thereof on the Balance Sheet as at March 31, 2021 and of the Profit and Loss Account for the year then ended.

Sr. no. 2.

During the current financial year, due to challenges faced by customers in repayment of loans on account of Covid 19 pandemic, the Bank has introduced Credit Enhancement Facility wherein it has granted top-up loans aggregating to Rs 2,267,200 thousands to its existing customer. These top-up loans have also been granted to customers with past track record of irregular repayment including customers where existing irregularity got cleared by the customer first and then top-up disbursements were made, but no additional provision has been recognised by the Bank against those customer's outstanding balance. Consequently, we are unable to quantify the impact thereof on the Balance Sheet as at March 31, 2021 and of the Profit and Loss Account for the year then ended.

Sr. No. 3.

Consequent to the matters arising out of above, we are unable to quantify the impact thereof on the Classification of Advances, Capital Adequacy Ratio, Movement of Gross NPA, Movement of Net NPA, Movement of provisions on NPA, Disclosures on account subjected to Restructuring of accounts, Disclosures on provisions and contingencies, provisioning coverage ratio, Concentration on advances & NPA and Sector wise advances as given in these financial statements.

Adverse comments on Control aspects by External Auditors

Sr. no. a.

The matter described in Basis of Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Bank.

Sr. no. b.

According to the information and explanations given to us and based on our audit, the material weaknesses have been identified in relation to compliance with Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 1st July, 2015 ("the Circular") leading to risk of incorrect classification of advances, incorrect recognition of provision on Advances and interest income and related disclosures as at March 31, 2021.

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

External Auditors have issued their Audit report containing two qualifications on Loans coupled with impact on related controls in this regard. The Audit Committee at their meeting dated 30th July 2021,

advised the Bank's Management to submit the reply on the Auditor's qualification. Accordingly, the reply from Bank's management on these qualifications are submitted as under:

Sr.no. 1.

Reply from Bank's Management

Bank follows the collection at door step model for underserved & underbanked population of North Eastern States. The loan recovery mainly depends on the collection efforts made by Bank. During financial year 2020-21, there was an extraneous & abnormal situation due to COVID pandemic since April 2020 till September 2020. There were frequent lock downs & identification of containment zones across various districts of North Eastern States. Further, there were restrictions on the inter district movement across various areas. The Bank offices also remained opened for limited time period just for catering to the basic services for incoming customers at branches for accepting deposits & cash withdrawals, in line with local SLBC notifications. The field officers were not allowed to visit the borrowers for collection of loan recovery.

Post, September 2020, due to the normalization of economic activities & after unlocking of the lockdowns, Bank once again commenced their collection activities in the field offices. Bank was able to recover portion of loan amounts from various borrowers.

Post completion of Specified period (i.e. w.e.f 1st January 2021), out of total 42,801 restructured accounts, the position as on 31st March 2021 was as under:

No. of Accounts	Status as on 31-03-2021	AUM on 31-03-2021	Provision held in books (INR Cr)	Provision held in books as on 31-03-2021
3,723	Closed	-	-	NIL
588	Upgraded to Standard	1.48	0.08	5.40%
18,784	Remained as Standard	47.02	13.92	30%
19,691	Sub-standard	40.78	12.76	30%
15	Doubtful	0.03	0.03	100%
42,801		89.31	26.79	

Thus, the COVID pandemic has paralysed the collection activities of our Bank. The entire FY2020-21 is a period of extraordinary time and Regulators -Indian and International have come together to a coordinated approach towards safeguarding human lives, business entities and regulated entities like NESFB.

With limited net connectivity in the interiors of North East, and our customers not being net savvy, are not acquainted with digital payments. As such, they rely on the traditional method of cash payment for their loan repayments. Hence, Auditors should have considered such constraints in their audit report, especially after having four years of association with our Bank.

RBI AFI team concluded their AFI in the month of December 2020, wherein they also evidenced that Bank was not able to track the process of satisfactory performance of the restructured loans due to the factors mentioned above mainly due to frequent lock downs & identification of various containment zones in NE Regions.

RBI AFI team also agreed with Bank that Bank has followed all the norms of restructuring and including informing the SLBC and getting it minuted. However, in line with RBI circular on Restructuring of Advances, Bank has not informed Department of Regulations, Mumbai Office. As such, RBI AFI team has downgraded 42,801 Restructured Accounts & instructed Bank to keep an overall provision of 30%. The divergence in provision is required to be done by 31st March 2021. Accordingly, Bank has made an additional provision of INR 5.86 Crore in the books as on 31st March 2021. Thus, Bank has created a total provision of INR 26.79 Crore on the mentioned cases. This is in line with RBI instructions in their AFI report.

Auditors have failed to recognise the COVID impacted FY 2020-21 and is insisting to treat the FY2020-21 as normal economic activities year which is contrary to the very basis of Regulatory package and other assistance programs approved by RBI and other regulator/central banks across the globe.

Further, since December 2020, in Assam, Govt has announced creation of Assam MF Bill & instructed regulated entities to follow RBI norms with some legal powers provisioned for State Govt of Assam. The bill was timed just after COVID 1.0 pandemic & subsequently; it was followed by announcement of loan waiver promises made during state election times. Due to this, there was a credit discipline challenge, which got further accentuated by COVID 2.0 pandemic. This has worsened the situation as the borrowers residing in Upper Assam areas wilfully stopped making payments of their instalments pending resolution from the State Govt of Assam.

Now, of late, the State Govt. of Assam, post completion of Election process, has announced the Loan waiver package through Assam Micro Finance Incentive & Relief Scheme 2021 (AMFIRS 2021). The AMFIRS 2021 is a positive announcement for our Bank and we expect that the impacted portfolio will get normalised with the implementation of benefits under the Relief package along with the incentives announced for maintaining credit discipline. We expect to receive the said benefits during current financial year 2021-22.

Thus, we feel that the Auditors have not taken the above factors in due consideration while arriving at their qualified opinion on the above matter.

Sr. no. 2.

Reply from Bank's Management

COVID-19 has emerged as the black swan event of the century, with significant macroeconomic impact. The exponential spread of COVID-19 has led to a significant fall in major indices, indicating its impact and potential to significantly affect GDP growth. While the overall impact of COVID-19 on credit growth is expected to be negative across various districts & entire North Eastern States, the degree and nature of the impact is likely to vary based on the duration and extent of disruption.

Post 25th March 2020, there were frequent lock downs coupled with identification of various containment zones across North Eastern States by local administrations. This has impacted the income generation activities of our clients, which in turn effected the repayment capacity. Most of the borrowers are from unbanked & underbanked areas, started taking money from the moneylenders at a very high interest rates for their survival. This has again affected the repayment capacity of borrower.

During frequent lockdowns, there were limited banking operations running till 31st August 2020 with scattered loan disbursements & also encouraging the repayment of loans from the borrowers at their will. Sensing the need of infusion of capital required to improve the economic condition and to enable various borrowers to restart their income generation activities, NESFB introduced COVID 19 credit enhancement facility. The facility was received with a positive intent by clients as a helping hand from NESFB for restarting their income generation activity.

Loan disbursements have been done by Bank only in Standard Accounts, as per the board approved policy, as system only permits any fresh disbursement in the accounts, where day past due is zero. Thus, we feel that the Auditors failed to consider the basic facts that Credit enhancement facility was given only to the regular borrowers for which the qualification on additional provisions on such loans do not hold good.

Sr. No. 3.**Reply from Bank's Management**

Bank's management has already shared necessary information in this regard, which should have been understood & duly accepted by Auditor. The auditor's insistence of FY2020-21 as a normal year of financial/economic activities, negating the COVID pandemic and the financial inclusion mandate, and thereby assertion of not being able to quantify the impact is not acceptable in any form to the Bank Management.

Adverse comments on Control aspects by External Auditors**Sr. no. a.****Reply from Bank's Management**

With the gradual unlocking of NER & rise in Credit demand with hardly any regulated entities to service such demand, NESFB has immense potential now to bring in fresh business & expand its credit portfolio. Thus, continuity & sustenance of business is naturally in favour of NESFB.

Further, the AMFIRS 2021 is a positive announcement for our Bank and we expect that the impacted Micro Finance portfolio of Assam will get normalised with the implementation of benefits under the Relief package along with the incentives announced for maintaining credit discipline. We expect to receive the said benefits during current financial year 2021-22.

Sr. no. b.

Reply from Bank's Management

Bank's system has already recognised necessary provision in line with IRAC norms & hence we strongly feel that the auditor's observation is not correct. The auditors have principally failed in understanding the business model of our Bank & also the prevalent situation created due to COVID pandemic & its impact across regulated entities, specific to the North Eastern region.

14. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES.

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

15. DIRECTORS AND KMP: Appointment/re-appointment of Director and KMP during FY 2020-21.

Name	Designation	Date of Appointment
Ms Rupali Kalita	Managing Director & CEO	17/10/2017 (Re-appointment on 17.10.2020)
Mr Adayadiyil George Varughese	Nominee Director	17/10/2020
Mr PVSLN Murthy	Independent Director	20/01/2021
Ms Manjula Saikia Bhuyan	Independent Director	20/01/2021
Ms Suvalaxmi Chakraborty	Nominee Director	20/01/2021
Mr Shri Ram Meena	Nominee Director	24/02/2021

COMPOSITION OF THE BOARD AS ON 31.03.2021

SR. NO.	Name	Designation	Date of Appointment
1	Mr Bhaskar Jyoti Sarma	Independent Director & Part Time Chairman (PTC)	24/08/2018 [Appointed as PTC on 05.07.2019 as per the RBI approval for 3 years term]
2	Ms Rupali Kalita	Managing Director & Chief Executive Officer	17/10/2017 [Re-appointment on 17.10.2020]
3	Mr Gautam Barua	Independent Director	30/06/2017
4	Mr Arun Prakash Sandilya	Independent Director	18/01/2020
5	Mr PVSLN Murthy	Independent Director	20/01/2021
6	Ms Manjula Saikia Bhuyan	Independent Director	20/01/2021
7	Mr Adayadiyil George Varughese	Nominee Director of RGVN (North East) Microfinance Limited, Promoter Company	17/10/2020

8	Ms Suvalaxmi Chakraborty	Nominee Director of RGVN (North East) Microfinance Limited, Promoter Company	20/01/2021
9	Mr Shri Ram Meena	Nominee Director of RGVN (North East) Microfinance Limited, Promoter Company	24/02/2021

ANY MATERIAL CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AFTER THE CLOSING OF THE LAST FINANCIAL YEAR TILL THE DATE OF ANNUAL GENERAL MEETING.

SR. NO.	Name	Designation	Date of Appointment/Cessation
1	Mr Bhaskar Jyoti Sarma	Independent Director & Part Time Chairman (PTC)	01.04.2021 [cessation]
2	Ms Suvalaxmi Chakraborty	Nominee Director	20.04.2021 [cessation]
3	Ms Smriti Chandra	Nominee Director	20.04.2021 [appointment]
4	Mr Arun Prakash Sandilya	Independent Director	19.05.2021 [cessation]
5	Mr Ram Krishna Garg	Independent Director	25.05.2021 [appointment]
6	Mr PVSLN Murthy	Independent Director	21.06.2021 [cessation]
7	Mr Tapan Kumar Hazarika	Independent Director	29.06.2021 [appointment]
8	Mr Sistla Prabhakar	Independent Director	30.07.2021 [appointment]

DETAILS OF KEY MANAGERIAL PERSON U/S 203 OF COMPANIES ACT 2013 AS ON 31.03.2021.

SR. NO	Name	Designation	Date
1	Ms. Rupali Kalita	Managing Director & Chief Executive Officer	17/10/2017 [Re-appointment on 17.10.2020]
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 2020-21, five (5) meetings of the Board of Directors of the Company were held i.e. on 23.06.2020, 02.09.2020, 17.10.2020, 20.01.2021 and 24.02.2021.

The details of Attendance of each Director at the Board Meeting for the **FY 2020-21** are given below.

Sl.No	Name	Total meetings to be attended	Date of Meetings attended	Meetings attended
1	Mr. Deep Chandra Joshi	3	23.06.2020 02.09.2020 17.10.2020	3*
2	Mr. Ranjit Goswami	3	23.06.2020 02.09.2020 17.10.2020	3#
3	Ms. Rupali Kalita	5	23.06.2020 02.09.2020 17.10.2020 20.01.2021 24.02.2021	5
4	Mr. Gautam Barua	5	23.06.2020 02.09.2020 17.10.2020 20.01.2021 24.02.2021	5
5	Mr Arun Prakash Sandilya	5	23.06.2020 02.09.2020 17.10.2020 20.01.2021 24.02.2021	5
6	Mr. Robert Douglas Dunn	2	23.06.2020 02.09.2020	2^
7	Mr. Bhaskar Jyoti Sarma	5	23.06.2020 02.09.2020 17.10.2020 20.01.2021 24.02.2021	5
8	Mr. Manish Purshottam Thakkar	4	23.06.2020 02.09.2020 17.10.2020	3\$
9	Mr Adayadiyil George Varughese	2	20.01.2021 24.02.2021	2@
10	Mr PVSLN Murthy	2	20.01.2021 24.02.2021	2**
11	Ms Manjula Saikia Bhuyan	2	20.01.2021 24.02.2021	2**
12	Ms Suvalaxmi Chakraborty	2	24.02.2021	1**
13	Mr Shri Ram Meena	1	24.02.2021	0 &

**retired on 16.10.2020. # resigned on 17.11.2020. ^ resigned on 02.09.2020 \$ resigned on 02.02.2021. @ appointed on 17.10.2020. ** appointed on 20.01.2021. & appointed on 24.02.2021.*

17. ANNUAL GENERAL MEETING

The Company's 4th Annual General Meeting was held on 30th September 2020 in its registered office at 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 has been taking proper steps at every level of operation for conservation of Energy. There was no technology absorption and total Foreign Exchange outgo during the year ending on 31st March 2021 was Nil.

21. SECRETARIAL AUDITOR

The Secretarial Audit was carried out by M/s. Narayan Sharma & Associates, Practicing Company Secretaries for the financial year 2020-21. The Report given by the Secretarial Auditor is annexed as **Annexure – II** and forms integral part of this Report and is self explanatory in nature. Secretarial Auditors have issued their Audit report containing eight observations on governance and compliance. The observations are given below along with Management response.

1. The Nomination & Remuneration Committee did not carry out any evaluation of the Board & its Committees as required under Section 178(2) of the Companies Act, 2013.

Management Response: This could not be done in the last financial year due to frequent intermittent changes in the NRC composition due to dissociation /association of Independent Directors. The NRC will conduct the same this year onwards.

2. The Chief Compliance Officer (CCO) of the Company also being Company Secretary of the Company has dual hatting which is not as per the RBI circular No. RBI/2020-21/35 dated 11th Sep, 2020.

Management Response: The Chief Compliance Officer has now been made separate from the Company Secretary as a different vertical and will remain so.

3. As required under RBI Circular No. DBR.Appt.No.BC.68/29.67.001/2016-17 dated May 18, 2017, the Risk Management Committee (RMC) did not meet with the Chief Risk Officer (CRO) on one-to-one basis during the reporting period, without the presence of the MD & CEO.

Management Response: This has now been started with effect from this financial year and the first meeting was held on 26th July 2021 and duly minutised.

4. The Company has framed a Fair Practices Code as required under the Master Circular- DBOD No. Dir. BC 13/13.03.00/2009-10 dated July 01, 2009. However, the same is yet to be approved by the Board of Directors.

Management Response: This has been approved as a part of the Credit Policy v 5.0 in the board meeting held on September 06, 2021.

5. The Company is yet to comply with the Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019.

Management Response: This is in process with active participation of the Management.

6. The post of the internal auditor remained vacant in the Company from 1st April, 2020.

Management Response: The Internal Auditor has now been appointed from this financial year 2021-22.

7. The Head of the Internal Audit functions was also entrusted with the responsibility of Chief Vigilance Officer (CVO) which is contrary to the RBI circular DBS.CO.FrMC. BC.No.9/23.04.001/2010-11 dated May 26, 2011.

Management Response: The Head of Internal Audit functions has been separated from that of the Chief Vigilance Officer from this financial year 2021-22.

8. The post of Head Treasury (HT) & front office dealer remained vacant in the Company during the reporting period and the operations were managed by bank staff without having the necessary qualification & certifications as required under RBI circular DBR.No.BP.BC.4/21.03.009/2016-17 dated August 11, 2016.

Management Response: The Bank is in the process of filling the post of Head Treasury and necessary certifications are being arranged by the treasury employees.

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. 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.

24. POLICY ON SEXUAL HARASSMENT

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on Prevention, Prohibition and Redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under. There have been no cases of sexual harassment in FY 2020-21.

25. 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 operations of the Bank. The department is fully functional and conducts investigation arising out of fraud and whistle blower complaints in a fair manner.

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

No order was passed by any regulator or Court/ 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. CORPORATE GOVERNANCE

The Bank's Philosophy

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

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 Banking Regulation 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 9 (Nine) Directors consisting of 5(Five) Independent Directors as on 31st March 2021 thereby maintaining the majority of directors as independent as per the RBI guidelines.

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.

30. 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 22.06.2020, 01.09.2020, 16.10.2020, 19.01.2021 and 23.02.2021. We provide hereunder details of the attendance of the Nomination & Remuneration Committee members at such meetings:

SN	Name	Total meetings to be attended	Date of meetings held	Meetings attended
1	Mr. Ranjit Goswami	3	22.06.2020 01.09.2020 16.10.2020	3
2	Mr. Bhaskar Jyoti Sarma	5	22.06.2020 01.09.2020 16.10.2020 19.01.2021 23.02.2021	5
3	Mr. Manish Purshottam Thakkar	4	01.09.2020	1
4	Mr. Arun Prakash Sandilya	5	22.06.2020 01.09.2020 16.10.2020 19.01.2021 23.02.2021	5
5	Mr AG Varughese	1	23.02.2021	1
6	Mr PVSLN Murthy	1	23.02.2021	1

31. 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 22.06.2020, 01.09.2020, 24.12.2020 and 23.02.2021. 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	2	22.06.2020 01.09.2020	2
2	Mr. Robert Dunn	2	01.09.2020	1
3	Mr. Bhaskar Jyoti Sarma	4	22.06.2020 01.09.2020 24.12.2020 23.02.2021	4
4	Mr Arun Prakash Sandilya	4	22.06.2020 01.09.2020 24.12.2020 23.02.2021	4
5	Mr Adayadiyil George Varughese	2	24.12.2020 23.02.2021	2

7

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 2020-21. However, the evaluation process for independent directors shall take place during the FY 2021-22.

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. Four of our present Independent Directors are required to be qualified in the proficiency test conducted by IICA within two years from the date of appointment. They are Mr TK Hazarika, Mr Sistla Prabhakar and Ms Manjula Saikia Bhuyan.

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 and it was reviewed in the Board meeting dated February 24, 2021. In accordance with the CSR policy of the Bank and as per the approval of the CSR Committee, the CSR activities undertaken by the Bank were General Health Camps, Animal Health Camps, Covid 19 relief camps, Distribution of Sanitisers and Face Masks, Flood Relief Camps, Eye check- up camps, supporting Cataract surgeries, Financial and Digital Literacy Trainings, Skill Development (Handloom), and promoting education through 'Mini Science Centre' project.

The year 2020 has turned into the most challenging year for majority of people across the globe. The outbreak of Covid 19 has halted the growth and progress of all major economies in the world. Along with Covid 19, we had to tackle the perennial problem of Floods too. Our dedicated employees had gone out of their way to help and support the families affected in floods by distributing food items, sanitary pads, daily use items etc.

Promoting education, especially in the subjects like Science and Mathematics for the students of class V to class X, a new project has been started called "Mini Science Centre" where with the help of 75 table top exhibit models and 38 back drops in vernacular language 120 concepts covering both Science and Mathematics for learning with hands on experience will be provided. The project has started in Netaji Hindi Vidyapith M E School, Bongaigaon.

In the skill development – Aloron project, the weavers of Banoikuchi, Hazarikapara and Bhuktabari of Sipajhar town received raw materials (threads) for weaving. Training of 25 new weavers have been started in Solpara Village in Mirza in this financial year.

The CSR activities undertaken in the FY 2020-21 were primarily focused in the Health Sector, though public gathering was not allowed till October 2020 but we distributed Covid 19 awareness pamphlets, face masks, soaps, sanitisers in our operational areas through different awareness campaigns and in Financial Literacy Camps. In the last FY 2020-21, 13 Health Service camps covering both Eye and General Health Camps were conducted benefitting more than 1200 participants, 58 Animal Health Camps and 12 Animal Training Camps covering animals of 789 households, 328 Financial Literacy camps covering more than 50,000 participants, 11 Flood relief camps benefitting more than 2000 families.

35. Other Statutory Disclosures:

- a) The Bank has not changed its nature of business during FY2020-21.

- 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 FY2020-21 were on an arm's length basis, and were in the ordinary course of business. There were 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 FY2020-21, 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) Material Risk Takers (MRTs) of the Bank shall be classified as per the RBI guidelines.

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 reposing 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/-

Dr RAM KRISHNA GARG
PART TIME CHAIRMAN
(DIN No: 02164119)

Place: Guwahati
Date: 06.09.2021



SECRETARIAL AUDIT REPORT



Narayan Sharma & Associates

Practicing Company Secretaries

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,

Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005

Phone: +91 361 2963127, +91 9435018319 (M)

Email: csnarayansharma@gmail.com

Narayan Sharma

B.Com (Hons.), FCS

FORM NO. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2021

[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, Assam, PIN: 781028

We 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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our 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, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31st March 2021** ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We 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 2021** 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;





Narayan Sharma & Associates

Practicing Company Secretaries

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,

Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005

Phone: +91 361 2963127, +91 9435018319 (M)

Email: csnarayansharma@gmail.com

Narayan Sharma

B.Com (Hons.), FCS

- 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;

(Not Applicable as there were no reportable events)

- 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 a schedule commercial banks by the Reserve Bank of India from time to time;
 - (d) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002;
 - (e) The Payment and Settlement Systems Act, 2007;
 - (f) The Negotiable Instruments Act, 1881.
- vi. Other laws, including Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.
- vii. We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board & General Meetings.

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

- 1) Form DIR-12 filed for the appointment of Mrs. Suvalaxmi Chakraborty (Nominee Director representing RGVN (North East) Microfinance Limited), contained "North East Small Finance Bank" as the name of the Company or institution whose nominee the appointee is, at point no. xv which should have been RGVN (North East) Microfinance Limited.
- 2) The Nomination & Remuneration Committee did not carry out any evaluation of the Board & its Committees as required under Section 178(2) of the Companies Act, 2013.





Narayan Sharma & Associates

Practicing Company Secretaries

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,

Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005

Phone: +91 361 2963127, +91 9435018319 (M)

Email: csnarayansharma@gmail.com

Narayan Sharma

B.Com (Hons.), FCS

- 3) *The Chief Compliance Officer (CCO) of the Company also being the Company Secretary of the Company has dual hatting which is not as per the RBI circular No. RBI/2020-21/35 dated 11th Sep, 2020.*
- 4) *As required under RBI Circular No. DBR.Appt.No.BC.68/29.67.001/2016-17 dated May 18, 2017, the Risk Management Committee (RMC) did not meet with the Chief Risk Officer (CRO) on one-to-one basis during the reporting period, without the presence of the MD & CEO.*
- 5) *As required under the Master Circular- DBOD No. Dir. BC 13/13.03.00/2009-10 dated July 01, 2009, the Fair Practices Code of the Company is yet to be approved by the Board of Directors of the Company.*
- 6) *The Company is yet to comply with the Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019.*
- 7) *The post of the internal auditor remained vacant in the Company from 1st April, 2020.*
- 8) *The Head of the Internal Audit functions was also entrusted with the responsibility of Chief Vigilance Officer (CVO) which is contrary to the RBI circular DBS.CO.FrMC.BC.No.9/23.04.001/2010-11 dated May 26, 2011.*
- 9) *The post of Head Treasury (HT) & front office dealer remained vacant in the Company during the reporting period and the operations were managed by bank staff without having the necessary qualification & certifications as required under RBI circular DBR.No.BP.BC.4/21.03.009/2016-17 dated August 11, 2016.*

We 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.

Adequate notice was given to all Directors of the schedule of the Board & Committee 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.



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

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,
Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005
Phone: +91 361 2963127, +91 9435018319 (M)
Email: csnarayansharma@gmail.com

Narayan Sharma*B.Com (Hons.), FCS*

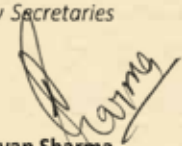
We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

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

Place: Guwahati

Date: 5th August, 2021

For **Narayan Sharma & Associates**

Practicing Company Secretaries
CS Narayan Sharma*(Proprietor)*

FCS No.: 5117 C P No.: 3844

UDIN: F005117C000741875

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 & Associates

Practicing Company Secretaries

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,

Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005

Phone: +91 361 2963127, +91 9435018319 (M)

Email: csnarayansharma@gmail.com

Narayan Sharma

B.Com (Hons.), FCS

'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, Assam, PIN: 781028

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 as well as correctness of the values and figures reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.
- 4) Our Audit examination is restricted only to legal compliances of the applicable laws to be done by the Company, we have not checked the practical aspects relating to the same.
- 5) Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
- 6) 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.
- 7) 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.
- 8) Due to the inherent limitations of an audit including internal, financial, and operating controls, there is an unavoidable risk that some misstatements or material non-compliances



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

Master Enclave, Udayachal Path, Besides IOCL Petrol Pump,

Christian Basti, G.S. Road, Guwahati, Assam, PIN: 781005

Phone: +91 361 2963127, +91 9435018319 (M)

Email: csnarayansharma@gmail.com

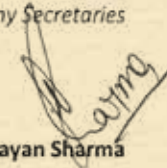
Narayan Sharma

B.Com (Hons.), FCS

may not be detected, even though the audit is properly planned and performed in accordance with audit practices.

- 9) The contents of this Report has to be read in conjunction with the Report(s) furnished/to be furnished by any other auditor(s)/agencies/authorities with regard to the Company. Observations, remarks and qualifications mentioned hereinabove are in addition to the observations, remarks, and qualifications given by the auditor(s)/agencies/authorities of the Company in their respective reports.

Place: Guwahati

Date: 5th August, 2021For **Narayan Sharma & Associates***Practicing Company Secretaries*
CS Narayan Sharma

(Proprietor)

FCS No.: 5117 C P No.: 3844

UDIN: F005117C000741875

FORM NO. MGT 9 (Annexure I)
EXTRACT OF ANNUAL RETURN
For financial year ended on 31.03.2021

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:	
1 CIN	U65100AS2016PLC017505
2 Registration Date	25-07-2016
3 Name of the Company	NORTH EAST SMALL FINANCE BANK LIMITED
4 Category/Sub-category of the Company	Company limited by Shares/Non-govt company
5 Address of the Registered office & contact details	1st and 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati Kamrup AS 781028 IN & Contact Details: 03617180001
6 Email	marketing@neshb.com
7 Whether listed company	Unlisted
8 Name, Address & contact details of the Registrar & Transfer Agent, if any.	LINK INTIME INDIA PRIVATE LIMITED C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai, Mumbai City, Maharashtra, 400083

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY	
(All the business activities contributing 10% or more of the total turnover of the company shall be stated)	
S. No.	Name and Description of main products / services
1	Financial and Insurance Service Banking activities by Central, Commercial and Saving banks

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES			
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate
1	RGVN (NORTH EAST) MICROFINANCE LIMITED	U65923AS2008PLC008742	Holding



IV. SHAREHOLDING PATTERN								
(Equity share capital breakup as percentage of total equity)								
(i) Category-wise Share Holding								
Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-April-2019]				No. of Shares held at the end of the year [As on 31-March-2020]			% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	
A. Promoters								
(1) Indian								
a) Individual/ HUF			-	0.00%		-	-	0.00%
b) Central Govt			-	0.00%		-	-	0.00%
c) State Govt(s)			-	0.00%		-	-	0.00%
d) Bodies Corp.			29,33,84,395	100.00%			29,33,84,395	0.00%
e) Banks / FI			-	0.00%		-	-	0.00%
f) Any other			-	0.00%		-	-	0.00%
Sub Total (A) (1)			29,33,84,395	100.00%			29,33,84,395	0.00%
(2) Foreign								
a) NRI Individuals			-	0.00%		-	-	0.00%
b) Other Individuals			-	0.00%		-	-	0.00%
c) Bodies Corp.			-	0.00%		-	-	0.00%
d) Any other			-	0.00%		-	-	0.00%
Sub Total (A) (2)			-	0.00%		-	-	0.00%
TOTAL (A)			29,33,84,395	100.00%			29,33,84,395	0.00%
B. Public Shareholding								
1. Institutions								
a) Mutual Funds			-	0.00%		-	-	0.00%
b) Banks / FI			-	0.00%		-	-	0.00%
c) Central Govt			-	0.00%		-	-	0.00%
d) State Govt(s)			-	0.00%		-	-	0.00%



e) Venture Capital Funds			-	0.00%			-	0.00%
f) Insurance Companies			-	0.00%			-	0.00%
g) FIs			-	0.00%			-	0.00%
h) Foreign Venture Capital Funds			-	0.00%			-	0.00%
i) Others (Indian)			600	0.00%			600	0.00%
Sub-total (B)(1):-	-	-	600	0.00%	-	-	600	0.00%
2. Non-Institutions								
a) Bodies Corp.								
i) Indian			-	0.00%			-	0.00%
ii) Overseas			-	0.00%			-	0.00%
b) Individuals								
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh			-	0.00%			-	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh			-	0.00%			-	0.00%
c) Others (specify)								



Non Resident Indians			-	0.00%			-	0.00%
Overseas Corporate Bodies			-	0.00%			-	0.00%
Foreign Nationals			-	0.00%			-	0.00%
Clearing Members			-	0.00%			-	0.00%
Trusts			-	0.00%			-	0.00%
Foreign Bodies - D R			-	0.00%			-	0.00%
Sub-total (B)(2):-	-	-	-	0.00%	-	-	-	0.00%
Total Public (B)	-	-	600	0.00%	-	-	600	0.00%
C. Shares held by Custodian for GDRs & ADRs			-	0.00%			-	0.00%
Grand Total (A+B+C)	-	-	29,33,84,995	100.00%	-	-	29,33,84,995	0.00%

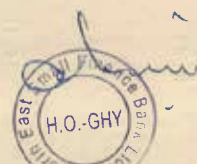


(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		% change in shareholding during the year
		No. of Shares	% of total Shares of the company	pledged/ encumbered	No. of Shares	% of total Shares of the company	
1	RGVN (NORTH EAST) MICROFINANCE LIMITED	29,33,84,395	100.00%		29,33,84,395	100.00%	NIL
	Total	29,33,84,395	100.00%		29,33,84,395	100.00%	0.00%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

There was no change in the promoters shareholding during the year							
SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year	01-04-2020		29,33,84,395	100.00%	29,33,84,395	100.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year	31-03-2021		29,33,84,395	100.00%	29,33,84,395	100.00%



(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding during the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Mr. Saneesh Singh						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%
2	Mr. Brij Mohan						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%
3	Mr. Gunajit Bavan						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%
4	Mr. Pranjal Pratim Goswami						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%
5	Mr. Ranjit Goswami						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Ms. Rupali Ka/ta						
	At the beginning of the year			100	0.00%	100	0.00%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			100	0.00%	100	0.00%



VI. INDEBTEDNESS				
Indebtedness of the Company including interest outstanding/accrued but not due for payment. (Including Interest)				
(Amt. Rs./Lacs)				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	59,498.75	15,500.00	89,013.98	1,64,012.73
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	315.79	407.68	2.96	726.43
Total (i+ii+iii)	59,814.54	15,907.68	89,016.94	1,64,739.16
Change in Indebtedness during the financial year				
* Addition	22,400.00	-	70,563.66	92,963.66
* Reduction	30,680.42	8,225.00	31,854.57	70,759.99
Net Change	(8,280.42)	(8,225.00)	38,709.09	22,203.67
Indebtedness at the end of the financial year				
i) Principal Amount	51,218.33	7,275.00	1,27,723.07	1,86,216.40
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	143.24	249.34	8.93	401.51
Total (i+ii+iii)	51,361.57	7,524.34	1,27,732.00	1,86,617.91



VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL				
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:				
SN.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Name		(Rs/Lac)
		Designation		
1	Gross salary	Ms. Rupali Kalita		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Managing Director		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	38,69,028	-	38,69,028
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Fuel maintenance & Car Lease	7,00,572.00		7,00,572.00
	Performance Linked Incentives (FY 2018-19)	2,16,000.00		2,16,000.00
	EPF	2,30,400.00		2,30,400.00
	Total (A)	50,16,000.00	-	50,16,000.00
	Ceiling as per the Act	-	-	-



B. Remuneration to other Directors									
SN.	Particulars of Remuneration	Name of Directors							Total Amount
		Mr. Bhaskar Jyoti Sarma	Mr. Gautam Barua	Mr. Arun Prakash Sandilya	Mr. Podury Venkata Suryalakshmi Narasimha Murthy	Ms Manjula Saikia Bhuyan	Mr. Ranjit Goswami	Mr. Deep Chandra Joshi	(Rs/Lac)
1	Independent Directors								
	Fee for attending board committee meetings	2,90,000	1,90,000.00	2,90,000	70,000	60,000	1,60,000	70,000	11,30,000
	Commission								
	Others, please specify (Remuneration)	12,00,000							12,00,000.00
	Total (1)	14,90,000	1,90,000.00	2,90,000	70,000	60,000	1,60,000	70,000	23,30,000.00
2	Other Non-Executive Directors								
	Fee for attending board								
	Commission								
	Others, (Remuneration)								
	Total (2)								
	Total (B)=(1+2)	14,90,000.00	1,90,000.00	2,90,000.00	70,000.00	60,000.00	1,60,000.00	70,000.00	23,30,000.00
	Total Managerial Remuneration								23,30,000.00
	Overall Ceiling as per the Act								

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
		Name	Ketan Kumar Joshi	Mukesh Singh Verma	(Rs/Lac)
	Designation	CEO	CFO	CS	
1	Gross salary		46,84,301	25,87,269	72,71,570
	(a) Salary as per provisions contained in section 17(1) of the	-	-	-	-
	(b) Value of perquisites u/s 17(2)	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act,	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
	Commission	-	-	-	-
4	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Fuel maintenance & Car Lease			6,13,368.00	6,13,368.00
	Performance Linked Incentives		3,37,500.00	1,18,860.00	4,56,360.00
	EPF		2,36,183.00	1,61,789.00	3,97,972.00
	Total	-	52,57,984.00	34,81,286.00	87,39,270.00



VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding	Authority [RD / NCLT/ COURT]	
A. COMPANY: NIL					
Penalty					
Punishment					
Compounding					
B. DIRECTORS: NIL					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT: NIL					
Penalty					
Punishment					
Compounding					

INDEPENDENT AUDITORS REPORT





Floor 4, Duckback House
41, Shakespeare Sarani
Kolkata 700017, INDIA
Tel: +91 33 6766 1600

INDEPENDENT AUDITOR'S REPORT

To the Members of North East Small Finance Bank Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **North East Small Finance Bank Limited** ("the Bank"), which comprise the Balance Sheet as at March 31, 2021, and the Profit and Loss Account 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Banking Regulations Act, 1949 as well as the Companies Act, 2013 ("the Act") and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, its profit and its cash flows for the year ended on that date.

Basis for Qualified Opinion

1. During the financial year 2019-20, the Bank had restructured 42,801 loan accounts having aggregate gross outstanding balance of Rs. 893,104 thousand and outstanding balance net of provision Rs. 661,204 thousand as on 31st March 2021 (Rs. 821,329 thousand and Rs. 630,826 thousand as on 31st March 2020) and interest accrued thereon amounting to Rs 136,264 thousand on 31st March 2021 (Rs. 69,094 thousand as on 31st March 2020). During the current financial year, this restructured portfolio has not performed satisfactorily and accordingly as per the requirements of Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 1st July, 2015 ("the Circular"), the said restructured portfolio should have been classified as per the applicable prudential norms in accordance with the pre-restructuring payment schedule.

However, the Bank has classified the restructured portfolio as per their post restructuring payment schedule. This has resulted into under-statement of provision on advances, over-statement of interest income and under-statement of Gross Non-Performing Advances. In the absence of appropriate





classification of these loans as restructured loans as at March 31, 2021, we are unable to quantify the impact thereof on the Balance Sheet as at March 31, 2021 and of the Profit and Loss Account for the year then ended.

2. During the current financial year, due to challenges faced by customers in repayment of loans on account of Covid -19 pandemic, the Bank has introduced Credit Enhancement Facility wherein it has granted top-up loans aggregating to Rs. 2,267,200 thousand during the year to its existing customers. These top-up loans have also been granted to customers with past track record of irregular repayment where existing irregularity got cleared by the customer first and then top-up disbursements were made, but no additional provision has been recognised by the Bank against such customer's outstanding balance. Consequently, we are unable to quantify the impact, if any, on the Balance Sheet as at March 31, 2021 and of the Profit and Loss Account for the year then ended.

3. Consequential to the matters arising stated above, we are unable to quantify the impact, if any, on the Classification of Advances, Capital Adequacy Ratio, Movement of Gross NPA, Movement of Net NPA, Movement of provisions on NPA, Disclosures on account subjected to Restructuring of accounts, Disclosures on provisions and contingencies, provisioning coverage ratio, Concentration on advances & NPA and Sector wise advances as disclosed in these financial statements.

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 qualified opinion.

Emphasis of Matter

1. We draw attention to Schedule 12 to the financial statements with respect to demand received by the Bank's Holding Company from the Income Tax Department amounting to Rs 3,525,136 thousand which has been contested by the Holding Company. As per the terms of agreement between the Bank and the Holding Company, in the event of crystallisation of this demand, the Bank is liable to reimburse the Holding Company. However, since the matter is





sub-judice and outcome is not known at present, its impact on the financial statements is not ascertainable.

2. We draw attention to Note 33 of Schedule 18 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 these matters.

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 the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and





estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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. Except for the impact of matters stated in the Basis for Qualified Opinion paragraph, The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.



This Report does not include a statement on the matters specified in paragraph 3 and 4 of the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of Section 143 of the Act, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Bank.



3. As required by sub - section 3 of Section 30 of the Banking Regulation Act, 1949, we report that:
- a. Except for the impact of matters stated in the Basis for Qualified Opinion paragraph, we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of audit we visited 6 branches.
4. As required by Section 143(3) of the Act, we report that:
- a. We have sought except for the matters described in basis of qualified opinion paragraph obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. Except for the possible effects of the matter described in the Basis of Qualified Opinion section above 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.
 - c. 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.
 - d. Except for the effects of the matter described in Basis for Qualified Opinion section above, In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.





- e. The matter described in Basis of Qualified Opinion paragraph and Emphasis of matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Bank.
- f. On the basis of the written representations received from the directors as on 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- g. 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".
- h. 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 except as disclosed in the financial statements
 - 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.
4. 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

Puneet Agarwal
Partner

Membership No. 064824

UDIN: 21064824AAAACK7535

Kolkata

July 30, 2021



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.



**& Associates**

Chartered Accountants

- 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.

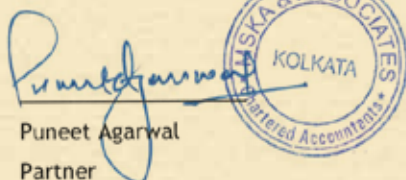
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Puneet Agarwal

Partner

Membership No. 064824

UDIN: 21064824AAAACK7535

Kolkata

July 30, 2021



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, 2021]

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

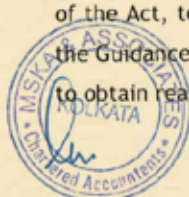
We have audited the internal financial controls with reference to financial statements of North East Small Finance Bank Limited ("the Bank") as of March 31, 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

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.

Qualified Opinion


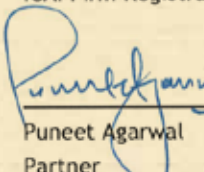
According to the information and explanations given to us and based on our audit, the material weaknesses have been identified in relation to compliance with Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 1st July, 2015 ("the Circular") leading to incorrect classification of advances, incorrect recognition of provision on Advances and interest income and related disclosures as at March 31, 2021.

In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Bank has maintained, 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 of March 31, 2021, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company as on March 31, 2021 and the material weakness has affected our opinion on the financial statement of the Company and we have issued a qualified opinion on the financial statements.

For MSKA & Associates
Chartered Accountants

ICAI Firm Registration No. 105047W



Partner

Membership No. 064824

UDIN : 21064824AAAACK7535

Kolkata

July 30, 2021

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam
BALANCE SHEET AS AT MARCH 31, 2021

		(INR in '000)	
PARTICULARS	Schedule No.	As at Mar 31, 2021	As at Mar 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	29,33,850	29,33,850
Reserves and Surplus	2	7,90,677	7,18,852
Deposits	3	1,27,72,308	89,01,398
Borrowings	4	58,49,333	74,99,875
Other Liabilities and Provisions	5	2,37,283	6,19,191
TOTAL		2,25,83,451	2,06,73,166
ASSETS			
Cash and Balance with Reserve Bank of India	6	9,92,094	9,24,240
Balance with Banks and Money at call & short notice	7	10,21,752	18,36,748
Investments	8	31,36,792	35,31,524
Advances	9	1,65,46,629	1,34,82,815
Fixed Assets	10	3,04,795	2,84,409
Other Assets	11	5,81,389	6,13,430
TOTAL		2,25,83,451	2,06,73,166
Bills for Collection & Contingent Liabilities	12	-	-
Significant Accounting Policies and notes to the financial statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with the Form A of the Third Schedule to the Banking Regulation Act, 1949

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

For and on behalf of the Board of Directors

Chartered Accountants
Firm Registration Number : 105047W



Puneet Agarwal
Partner
Membership No - 064824




Tapan Kumar Hazarika
Chairman
DIN : 08088195


Manjula Saikia Bhuyan
Independent Director
DIN : 08156782


Rupali Kalita
Managing Director & CEO
DIN : 02114098


Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

Kolkata
July 30, 2021

Guwahati
July 30, 2021



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati Assam
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2021

PARTICULARS	Schedule No.	(INR in '000)	
		For the Year Ended Mar 31, 2021	For the Year Ended Mar 31, 2020
I. INCOME			
Interest Earned	13	31,44,135	30,54,378
Other Income	14	1,79,631	1,96,646
TOTAL		33,23,766	32,51,024
II. EXPENDITURE			
Interest Expended	15	13,91,212	13,67,295
Operating Expenses	16	14,19,899	13,26,198
Provisions and Contingencies		4,40,830	4,31,640
TOTAL		32,51,941	31,25,133
III. PROFIT			
Net Profit After Tax		71,825	1,25,891
Add: Balance in Profit & Loss Account Brought Forward from Previous Year		4,68,432	4,16,513
TOTAL		5,40,257	5,42,404
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		17,956	31,472
Transfer to Investment Fluctuation Reserve		50,000	42,500
Balance Carried to Balance Sheet		4,72,301	4,68,432
TOTAL		5,40,257	5,42,404

Earnings Per Share (Face value per share ₹10 each)

Basic	0.24	0.43
Diluted	0.24	0.43

Significant Accounting Policies and notes to the financial statements 17 & 18

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

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


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


For and on behalf of the Board of Directors

Chartered Accountants
 Firm Registration Number : 105047W

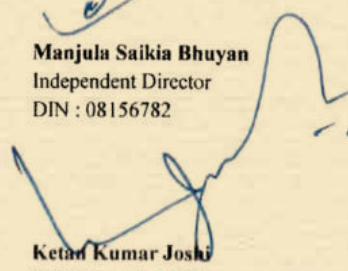

Puneet Agarwal
 Partner
 Membership No - 064824

Kolkata
 July 30, 2021


Tapan Kumar Hazarika
 Chairman
 DIN : 08088195


Manjula Saikia Bhuyan
 Independent Director
 DIN : 08156782


Rupali Kalita
 Managing Director & CEO
 DIN : 02114098


Ketan Kumar Joshi
 Chief Financial Officer
 M. No. 056916

Guwahati
 July 30, 2021



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

PARTICULARS	(INR in '000)	
	As at Mar 31, 2021	As at Mar 31, 2020
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	1,79,701	1,48,229
Additions during the year	17,956	31,472
Closing Balance	1,97,657	1,79,701
II. Investment Fluctuation Reserve		
Opening Balance	70,719	28,219
Additions during the year	50,000	42,500
Closing Balance	1,20,719	70,719
III. Balance in Profit and Loss Account	4,72,301	4,68,432
Total (I to III)	7,90,677	7,18,852
SCHEDULE 3 - Deposits		
A.I. Demand Deposits		
(i) From Banks	9,544	31,854
(i) From Others	3,60,709	98,577
II. Savings Bank Deposits	52,69,046	32,01,093
III. Term Deposits		
(i) From Banks	11,11,729	13,75,400
(ii) From Others	60,21,280	41,94,474
Total (I to III)	1,27,72,308	89,01,398
B.I. Deposits of Branches in India	1,27,72,308	89,01,398
B.II. Deposits of Branches outside India	-	-
Total (B.I and B.II)	1,27,72,308	89,01,398



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

(INR in '000)

PARTICULARS	As at Mar 31, 2021	As at Mar 31, 2020
SCHEDULE 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	51,21,833	59,49,875
iv) Others (Non-Convertible Redeemable Debentures)	7,27,500	15,50,000
Total	58,49,333	74,99,875
II. Borrowings outside India	-	-
Total (I and II)	58,49,333	74,99,875
Secured Borrowings included in I and II above	51,21,833	59,49,875
SCHEDULE 5 - Other Liabilities and Provisions		
I. Interest Accrued	40,151	72,643
II. Provision for Standard Advances*	61,595	1,34,256
III. Adhoc Provision against loans**	23,391	2,21,897
IV. Others (Including Provisions other than Loans & Advances)	1,12,146	1,90,395
Total (I to III)	2,37,283	6,19,191
<p>* During previous FY 2019-20, Provision on Standard Advances included INR 82,133 thousands as an 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. In the Current FY 2020-21 it is netted off from Gross Advances in line with RBI AFI 2020 findings & identifying these accounts as Restructured Substandard.</p> <p>** Adhoc provision as on 31st March 2020, includes INR 1,57,297 thousands towards COVID 19 provision (created @ 5% on borrowers where moratorium was given) and INR 64,600 thousands towards floating provision created by the Bank. As per RBI circular dated 17th April 2020, the COVID 19 provision of INR 1,57,297 thousands and another provision of INR 1,57,297 thousands created during FY 2020-21 has been utilised against slippages as on 31st March 2021.</p> <p>As per RBI AFI 2020 and RBI Circular dated 5th May 2021, out of opening floating provision of INR 64,600 thousands & created during the year INR 81,951 thousands, the Bank has utilised INR 1,23,160 thousands against slippages as on 31st March 2021.</p>		
SCHEDULE 6 - Cash and Balance with Reserve Bank of India		
I. Cash in hand	1,79,326	1,31,044
II. Balances with Reserve Bank of India		
i) In Current Accounts	8,12,768	7,93,196
Total (I and II)	9,92,094	9,24,240



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

PARTICULARS	(INR in '000)	
	As at Mar 31, 2021	As at Mar 31, 2020
SCHEDULE 7 : Balances with Banks and Money at Call and Short Notice		
I. In India		
A) Balances with banks		
i) In Current Accounts	2,41,644	2,17,658
ii) In Other Deposit Accounts	5,22,000	14,19,090
B) Term Money/Money at call and short notice		
i) With other Institutions	2,58,108	2,00,000
Total (I)	10,21,752	18,36,748
* Include fixed deposit of ₹ 30,108 (Previous year ₹ 69,090) held under lien		
II. Outside India	-	-
Total (II)	-	-
Total (I and II)	10,21,752	18,36,748
SCHEDULE 8 - Investments		
I. Investments in India		
i) Government Securities	31,36,792	32,31,524
ii) Others (Investment in Mutual Funds)	-	3,00,000
Total (I)	31,36,792	35,31,524
II. Investments Outside India	-	-
Total (II)	-	-
Total (I and II)	31,36,792	35,31,524
Gross Investments	31,36,792	35,31,524
Less : Provision for Investments	-	-
Net Investments	31,36,792	35,31,524
SCHEDULE 9 - Advances		
A. i) Cash Credits, Overdrafts and Loans repayable on demand	1,38,040	94,312
ii) Term Loans	1,64,08,589	1,33,88,503
Total	1,65,46,629	1,34,82,815
B. i) Secured by Tangible Assets	35,54,200	99,570
ii) Covered by Banks/Government Guarantees	-	-
iii) Unsecured	1,29,92,428	1,33,83,245
Total	1,65,46,629	1,34,82,815
C.I. Advances in India		
i) Priority Sectors	1,60,70,225	1,32,41,015
ii) Public Sectors		
iii) Banks		
ii) Others	4,76,404	2,41,800
Total C.I	1,65,46,629	1,34,82,815
C.II. Advances outside India	-	-
Total C.II	-	-
Total C (I and II)	1,65,46,629	1,34,82,815



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

PARTICULARS	(INR in '000)	
	As at Mar 31, 2021	As at Mar 31, 2020
SCHEDULE 10 - Fixed Assets		
I. Owned Assets :		
a) Premises	-	-
b) Fixed Assets (Including Furnitures and Fixtures)		
At the beginning of the year	4,15,443	2,95,768
Additions during the year	1,06,545	1,20,051
Deductions during the year	(1,524)	(377)
Total (I)	5,20,464	4,15,442
II) Depreciation		
At the beginning of the year	1,31,033	60,133
Charge for the year	84,940	71,139
Deductions during the year	(304)	(239)
Total (II)	2,15,669	1,31,033
Net Block (I - II)	3,04,795	2,84,409
SCHEDULE 11 - Other Assets		
i. Interest Accrued	3,48,419	2,90,695
ii. Tax paid in advance (net of provision for tax)	53,232	1,24,105
iii. Deferred Tax Assets	24,715	48,395
iv. Others	1,55,023	1,50,235
Total	5,81,389	6,13,430
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims Against the Bank not Acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on accounts of outstanding forward exchange and derivative contracts:	-	-
IV. Guarantees Given on behalf of constituents	-	-
V. Acceptances, endorsements and other Obligations	-	-
VI. Other Items for which the bank is contingently liable.	-	-
Total	-	-

Note: The Holding Company of the Bank had received income tax demand order of Rs. 35,25,135 thousands from income tax authorities for the Assessment year 2017-18. This majorly includes the demand towards Share capital raised by the Holding Company during the assessment year, cash deposits done during the period of demonetisation on account of collection from various customers and interest thereon. The Holding Company had filed an appeal against order before Commissioner of Income Tax (Appeals).

As per the terms of Business Transfer Agreement executed between the Holding Company and the Bank, in the event of crystallisation of this contingent liability, the Bank may have to reimburse the same to the Holding Company.



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

PARTICULARS	For the Year Ended Mar 31, 2021	(INR in '000) For the Year Ended Mar 31, 2020
SCHEDULE 13 - Interest Earned		
I. Interest on Advances	28,15,767	27,78,711
II. Income on Investments	2,14,316	1,47,979
III. Interest on Balances with RBI and Other Inter-Bank Funds	1,06,606	1,27,688
IV. Other interest Income	7,446	-
Total (I to IV)	31,44,135	30,54,378
SCHEDULE 14 - Other Income		
I. Commission, Exchange & Brokerage	1,39,247	1,24,784
II. Profit on sale of Investments	22,144	41,385
Less: Loss on Sale of Investments	(34,192)	-
III. Profit on sale of land, buildings and other assets	-	202
IV. Miscellaneous Income*	52,432	30,275
Total (I to IV)	1,79,631	1,96,646

* Miscellaneous Income includes INR 38,250 thousands from sale of PSCL of INR 25,00,000 thousands (Previous year : NIL)

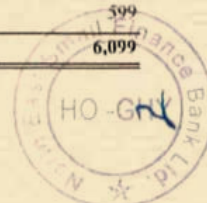
SCHEDULE 15 - Interest Expended		
I. Interest on Deposits	7,30,651	4,82,559
II. Interest on all other borrowings	6,60,561	8,84,736
Total (I to II)	13,91,212	13,67,295

SCHEDULE 16 - Operating Expenses		
I. Payments and Provisions for Employees	8,43,734	7,73,669
II. Rent, Taxes and Lighting	1,11,982	90,910
III. Printing and Stationery	15,464	14,292
IV. Advertisement and Publicity	13,335	37,929
V. Depreciation on Bank's property	84,940	71,139
VI. Director's Fees's, Allowances & Expenses	2,580	1,875
VII. Auditors fees and expenses*	5,040	6,099
VIII. Law Charges	-	43
IX. Postage, Telegrams, Telephones, etc.	37,249	27,815
X. Repairs and Maintenance	46,004	34,717
XI. Insurance	21,396	12,317
XII. Other expenditure	1,34,598	1,65,371
XIII. IT Cost (FIS)	1,03,577	90,022
Total (I to XIII)	14,19,899	13,26,198

*** Payment to Auditors**

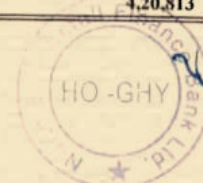
As Auditor :

i) Statutory Audit of the Bank	3,500	3,500
ii) Limited Review of the Bank	1,200	1,500
iii) Tax Audit of the Bank	300	500
iv) Reimbursement of the Bank	40	599
Total	5,040	6,099



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati Assam
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

PARTICULARS	For the Year Ended Mar 31, 2021	(INR in '000) For the Year Ended Mar 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	1,15,835	1,93,172
Adjustment For:		
(Profit)/Loss on sale of Fixed Assets	133	(202)
Fair value gain on SG securities	20,989	(5,941)
Contingent Provisions for Standard Assets	(72,662)	78,803
Adhoc Provision against NPA	(1,98,506)	2,21,897
Depreciation & Amortisation	84,940	71,139
Provision for Risk Insurance & welfare	-	(19,808)
Provision for Non Performing / Bad Assets	6,67,988	1,889
Operating Profit before Working Capital Changes (1)	6,18,717	5,40,948
Adjustments for:		
Decrease/(Increase) in Other Assets	70,531	(50,032)
Decrease/(Increase) in Term Deposits with other Banks	5,38,982	(9,00,000)
Increase/(Decrease) in Other liabilities and Provisions	(1,10,740)	(2,24,059)
Decrease/(Increase) in Advances	(37,31,801)	3,55,033
Decrease/(Increase) in Investments	3,73,744	(17,72,531)
Increase/(Decrease) in Deposits	38,70,910	62,27,665
Cash generated from / (used) in Operations (2)	10,11,625	36,36,076
Subtotal (1+2)	16,30,341	41,77,024
Taxes Paid	(82,500)	(1,26,500)
Net Cash Flow from / (used) in Operating Activities (A)	15,47,841	40,50,524
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(1,06,545)	(1,20,051)
Sale of Fixed Assets	1,087	340
Net Cash Flow used in Investing Activities (B)	(1,05,458)	(1,19,711)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings	(16,50,541)	(35,10,000)
Net Cash Flow from / (Used in) Financing Activities (C)	(16,50,541)	(35,10,000)
Net Increase / (Decrease) in Cash or Cash Equivalents (A+B+C)	(2,08,158)	4,20,813



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati Assam
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

PARTICULARS	(INR in '000)	
	For the Year Ended Mar 31, 2021	For the Year Ended Mar 31, 2020
Opening Cash and Cash Equivalents	17,91,897	13,71,085
Cash and Cash Equivalents at the end of the year	15,83,738	17,91,897
Break up cash and cash equivalent		
Cash and Balance with RBI	9,92,094	9,24,240
Balance in current account with other banks	2,41,644	2,17,658
Deposits	1,00,000	4,50,000
Money at Call & Short Notice	2,50,000	2,00,000
Total Cash & Cash Equivalent	15,83,738	17,91,897

Notes:

1. The above Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard 3 of Cash Flow Statements.
2. Cash & Cash equivalent comprises of Cash & Bank balances with RBI, Balance with Other Banks, Money at Call & Short notice having original maturity of less than 3 months.
3. Figures in bracket indicate cash outflow.

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

For and on behalf of the Board of Directors

Chartered Accountants
 Firm Registration Number: 105047W



Puneet Agarwal
 Partner
 Membership No - 064824

Kolkata
 July 30, 2021

Tapan Kumar Hazarika
 Chairman
 DIN : 08088195

Rupali Kalita
 Managing Director & CEO
 DIN : 02114098

Guwahati
 July 30, 2021

Manjula Saikia Bhuyan
 Independent Director
 DIN : 08156782

Ketan Kumar Joshi
 Chief Financial Officer
 M. No. 056916



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

1. Background

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

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

2. Basis of Preparation

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

3. Use of Estimates

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

4. Revenue Recognition

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

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

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

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

All other Fee Based Income are accounted on accrual basis.

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.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

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. As per RBI guidelines, banks are not required to capitalize broken period interest as a part of the cost. However, in compliance with the Income tax guidelines bank is recognizing the broken period interest (dirty price) paid to the seller as interest receivable and recognizes the same in P/L a/c at time of realization.
- ii. Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- iii. Cost of investments is computed based on the First in First Out basis.

Transfer Between Categories

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

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 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.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

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.

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.

7.4 All the Fixed Assets are capitalised on the basis of invoice payment.

8. Depreciation & Amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost. Depreciation on tangible fixed assets has been provided on the Written Down Value (WDV) 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



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

9. Employee Benefits

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

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

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

10. Taxes

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

11. Cash and Cash equivalent

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

12. Segment Reporting

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

Treasury includes all investment portfolios, Profit / Loss on sale of Investments, income from money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortization of premium on Held to Maturity category investments.

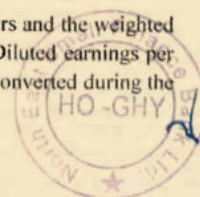
Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment

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 year.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

14. Provisions and contingent assets/liabilities

Provision :

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.

Contingent assets/liabilities:

A disclosure of contingent liability is made when there is:

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

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

15. Leases

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

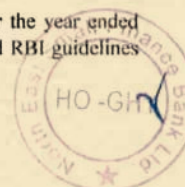
Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

16. Investment Fluctuation Reserve

In accordance with RBI Guidelines, banks are required to create 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, 2021 the bank has made an appropriation of INR 50,000 thousands (Previous year : INR 42,500 thousands) to the investment fluctuation reserve from the Profit and Loss account.

17. Statutory Reserve

The Bank has made an appropriation of INR 17,956 thousands (Previous Year : INR 31,473 thousands) out of profits for the year ended March 31, 2021 to the statutory reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**1. Capital :****1.1 Capital Infusion**

During the period April 1, 2020 to March 31, 2021 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, 2021	As at March 31, 2020
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	20.18%	23.26%
(ii) Tier II Capital (%)	1.04%	1.72%
(iii) Total CRAR %	21.22%	24.98%
(iv) Percentage of the shareholding of the Government of India in Public Sector Banks	-	-
v) Amount raised by issue of Equity Shares	-	-
vi) Amount of Additional Tier I capital raised of which - Perpetual Non Cumulative Preference Shares (PNCPS) - Perpetual debt instruments (PDI)	-	-
vii) Amount of Tier II Capital raised of which; Debt capital instruments	-	-
viii) 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, 2021	As at March 31, 2020
1. Value of Investments		
(i) Gross Value of Investments		
(a) In India	31,36,792	35,31,524
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	31,36,792	35,31,524
(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, 2021			As at March 31, 2020		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	12,93,025	10,28,650	-	7,35,828	19,54,728	-
ii) Other approved securities	8,15,117	-	-	5,40,968	-	-
iii) Shares	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-
v) Mutual Funds	-	-	-	-	3,00,000	-
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, 2021
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-



NORTH EAST SMALL FINANCE BANK LIMITED
 Guwahati, Assam

₹ in '000

Schedule 18 - 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, 2020
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 as on 31.03.2021 :

SLN	Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities
1	Others	NIL	NIL	NIL	NIL	NIL

(i) Issuer Composition of Non SLR Investments as on 31.03.2020 :

SLN	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, 2021 (Previous year : NIL)

2.5 During the period ended March 31, 2021 and March 31, 2020 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, 2021 (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, 2021 (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, 2021 (Previous Year : NIL)

3. Asset Quality

3.1 Non- Performing Assets

Particulars	March 31, 2021	March 31, 2020
(i) Net NPAs to Net Advances (%)	6.81%	1.20%
Movement of Gross NPAs		
(a) Opening Balance	2,62,850	1,42,984
(b) Additions (Fresh NPAs) during the year	17,00,752	2,03,701
Sub-total (A)	19,63,603	3,46,685
(c) Reductions during the period:		
(i) Up-gradations	16,074	88
(ii) Recoveries (excluding recoveries made from upgraded accounts)	30,904	2,426
(iii) Technical/ Prudential Write-offs	-	81,321
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)	46,979	83,834
Closing Balance (A-B)	19,16,624	2,62,850

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, 2021	March 31, 2020
Movement of Net NPAs		
(a) Opening balance	1,62,114	44,136
(b) Additions during the period	9,62,395	1,99,299
(c) Reductions during the year period (Write Off)	-	(81,321)
(d) Closing balance	11,24,510	1,62,114
Movement of provision for NPAs (excluding provision for standard assets)		
(a) Opening balance	1,00,736	98,848
(b) Provisions made during the period	6,91,379	83,467
(c) Provision on Technical written off account including other write back	-	(81,578)
(d) Closing balance	7,92,114	1,00,736



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**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, 2021 (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, 2021 (Previous Year : NIL)

3.4. Provision for standard advances

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, 2021	March 31, 2020
The amount of provision held on standard advances*	61,595	1,14,256

* Refer Foot Note to Schedule 5

3.5. Divergence in Asset Classification and Provisioning for NPAs as identified by 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 :

In the Current year 2020-21, RBI during their inspection for FY 2019-20, has identified the divergence in asset classification and provisioning for NPA's as under :

a) RBI has assessed and identified additional provision for NPA upto 30% from existing 22.87% already created by Bank as on 31st March 2020, by classifying 42,801 Rescheduled Standard Advances of Upper Assam District involving an amount of INR 82,133 thousands as Restructured Substandard Advances. And accordingly instructed the Bank for creation of additional provision of balance 7.13% totalling to INR 58,561 thousands for these borrowal accounts.

b) Accordingly as identified by RBI, the Gross NPA reported by Bank as on 31st March 2020 was at 1.94% involving INR 2,62,850 thousands which was increased to 7.98% involving INR 10,84,179 thousands as on 31st March 2020.

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 Restructured

Disclosure on accounts subjected to Restructuring for the year ended March 31, 2021

Sr	Type of Asset Classification		Under CDR		Under SME		Others			Total		
			Total	Total	Total	Total	Standard	NPA	Total Provision	Standard	NPA Provision	Total Provision
1	Restructured Accounts as on April 1, 2020 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	42,801	42,801	-	42,801	42,801
		Amount Outstanding	-	-	-	-	-	8,21,329	8,21,329	-	8,21,329	8,21,329
		Provision thereon	-	-	-	-	-	2,46,399	2,46,399	-	2,46,399	2,46,399
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	588	588	-	588	588
		Amount Outstanding	-	-	-	-	-	(11,119)	(11,119)	-	(11,119)	(11,119)
		Provision thereon	-	-	-	-	-	(3,336)	(3,336)	-	(3,336)	(3,336)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	18,405	18,405	-	18,405	18,405
		Amount Outstanding	-	-	-	-	-	(3,75,330)	(3,75,330)	-	(3,75,330)	(3,75,330)
		Provision thereon	-	-	-	-	-	(1,12,599)	(1,12,599)	-	(1,12,599)	(1,12,599)
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	20,085	20,085	-	20,085	20,085
		Amount Outstanding	-	-	-	-	-	(4,05,895)	(4,05,895)	-	(4,05,895)	(4,05,895)
		Provision thereon	-	-	-	-	-	(1,21,768)	(1,21,768)	-	(1,21,768)	(1,21,768)
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	3,723	3,723	-	3,723	3,723
		Amount Outstanding	-	-	-	-	-	(28,984)	(28,984)	-	(28,984)	(28,984)
		Provision thereon	-	-	-	-	-	(8,695)	(8,695)	-	(8,695)	(8,695)
8	Restructured Accounts as on March 31, 2021 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-



NORTH EAST SMALL FINANCE BANK LIMITED
 Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement

Disclosure on accounts subjected to Restructuring for the year ended March 31, 2020

Sr. No.	Type of Restructuring/Rescheduling		Under CDR Mechanism	Under SME debt restructuring mechanism	Others			Total		
			Total Provision	Total Provision	Standard	NPA Provision	Total Provision	Standard	NPA Provision	Total Provision
1	Restructured Accounts as on April 1, 2019 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	42,801	42,801	-	42,801	42,801
		Amount Outstanding	-	-	-	8,21,329	8,21,329	-	8,21,329	8,21,329
		Provision thereon	-	-	-	82,133	82,133	-	82,133	82,133
3	Upgradations to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2020 (closing figures)	No. of Borrowers	-	-	-	42,801	42,801	-	42,801	42,801
		Amount	-	-	-	8,21,329	8,21,329	-	8,21,329	8,21,329
		Provision thereon	-	-	-	82,133	82,133	-	82,133	82,133

4. Business Ratios

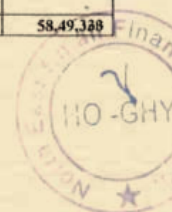
Particulars	March 31, 2021	March 31, 2020
Interest income as a percentage of working funds	13.85%	15.89%
Non interest income as a percentage of working funds	0.79%	1.02%
Operating profit as a percentage of working funds	2.26%	2.90%
Return on assets (average)	0.32%	0.65%
Business (deposit plus advance) per employee (Rs in '000)	11745	9,970
Profit per employee (Rs in '000)	35	60

- 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
- Returns on Assets are computed with reference to average working funds.
- Business is defined as total of average of gross Advances and deposits(net of inter-bank deposits) as computed in Form X.

5. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2021:

Sl. no.	Maturity buckets	Loans & Advances	Investments	Deposits	Borrowings
1	1 day	5,947	13,71,992	83,066	-
2	2 days to 7 days	36,662	29,503	2,24,184	-
3	8 days to 14 days	83,789	11,812	2,41,067	7,50,000
4	15 days to 30 days	2,57,273	6,28,281	4,54,884	52,500
5	31 days to 3 month	8,04,347	1,96,460	13,49,178	5,42,500
6	Over 3 month & upto 6 month	8,04,531	1,86,530	11,98,956	62,500
7	Over 6 month & upto 1 year	37,44,911	1,15,199	11,39,453	19,93,333
8	Over 1 year & upto 3 years	96,33,042	5,91,765	80,32,796	19,31,000
9	Over 3 years & upto 5 years	11,44,090	4,241	40,970	5,17,500
10	Over 5 years	32,037	1,009	7,755	-
		1,65,46,628	31,36,792	1,27,72,308	58,49,388



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement

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

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

2. The bank has classified the maturity pattern of the deposits into various maturity buckets on an estimated basis as per Bank's ALM policy which has been relied upon by auditors.

3. The Bank has no foreign currency assets & liabilities as on March 31, 2021 & March 31, 2020.

6. Exposure**6.1. Exposure to Real Estate Sector:**

The Bank does not have exposure to Real Estate Sector for year ended March 31, 2021 and March 31, 2020

Particulars	March 31, 2021	March 31, 2020
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;	1,000	-
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, 2021	March 31, 2020
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	-	-

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - 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, 2021 (Previous Year : NIL)

Risk Category	Exposure (net) as at March 31, 2021	Provision held as at March 31, 2021	Exposure (net) as at March 31, 2020	Provision held as at March 31, 2020
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, 2021, Bank has not exceeded in any Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) (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, 2021 (Previous Year : NIL)

6.6. Details of factoring exposure

There is no factoring exposure of the Bank as at March 31, 2021 (Previous Year : NIL)

6.7. Disclosure of penalties imposed by RBI

During the year ended March 31, 2021, 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, 2021	March 31, 2020
Provision towards Non Performing Assets	6,67,988	83,467
Provision towards Standard Advances (Refer Footnotes to Schedule 5)	(72,662)	78,803
General Provision against Advances (Refer Footnotes to Schedule 5)	(1,98,506)	2,21,897
Provision made towards income tax	20,329	53,791
Deferred Tax asset	23,681	13,490
Provision for Risk, Insurance & Welfare	-	(19,808)
Total	4,40,830	4,31,640

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

Sl. No.	Particulars	March 31, 2021	March 31, 2020
I	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular*	30,85,345	31,45,934
II	Respective amount where asset classification benefits is extended	30,85,345	31,45,934
III	Provisions made during the Q4FY2020 and Q1FY2021 in terms of paragraph 5	3,14,593	1,57,297
IV	Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of the circular	3,14,593	-
V	Residual provision in terms of paragraph 6 of the circular	-	1,57,297

8. Floating Provision:

Particulars	March 31, 2021	March 31, 2020
a) Opening Balance in the Floating Provision account	64,600	-
b) The quantum of floating provisions made during the current year	81,951	64,600
c) Amount of drawdown made during the current year	1,23,161	-
d) Closing balance in the Floating provisions account (Refer Footnotes to Schedule 5)	23,391	64,600

9. Drawdown from Reserves

The Bank has not drawdown from reserves during the year ended March 31, 2021 (Previous year: NIL)

10. Summary information on complaints received by the bank from customers and from the OBOs

a) Complaints received by the bank from its customers

Particulars	March 31, 2021	March 31, 2020
1) Number of complaints pending at beginning of the year	8	-
2) Number of complaints received during the year	471	461
3) Number of complaints disposed during the year	478	453
3.1) Of which, number of complaints rejected by the bank	-	-
4) Number of complaints pending at the end of the year	1	8

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**b) Maintainable complaints received by the bank from OBOs**

Particulars	March 31, 2021	March 31, 2020
5) Number of maintainable complaints received by the bank from OBOs	-	-
5.1) Of 5, number of complaints resolved in favour of the bank by BOs	-	-
5.2) Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs	-	-
5.3) Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6) Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.

c) Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	No of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
CURRENT YEAR: 31st March 2021					
ATM/Debit Cards	1	105	328 % increase	0	0
Internet/Mobile/Electronic Banking	1	114	278 % increase	0	0
Account opening/difficulty in operation of accounts	1	95	51 % decrease	1	0
Loans and advances	2	47	67 % decrease	0	0
Staff Behaviour	0	16	228 % increase	0	0
Others	3	92	74 % decrease	0	0
Total	8	469	102 % increase	1	0
PREVIOUS YEAR: 31st March 2020					
ATM/Debit Cards	0	32	-	1	1
Internet/Mobile/Electronic Banking	0	41	-	1	1
Account opening/difficulty in operation of accounts	0	185	-	1	1
Loans and advances	0	70	-	2	1
Staff Behaviour	0	7	-	0	0
Others	0	124	-	3	2
Total	0	459	-	8	6

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, 2021 (Previous Year : NIL)

12 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) of the Bank is 43.69% as on March 31, 2021 (Previous year 71.67%).

13. Bancassurance Business

S.No	Name of the Insurance Company	March 31, 2021			March 31, 2020		
		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	3329	68,468	9,624	2084	1,23,364	8,686
2	Bajaj Alliance General Insurance Company Limited	198497	75,826	13,731	44600	18,964	2,840
3	HDFC Life Insurance	668	69,737	6,118	0	-	-
4	SBI General Insurance Company Limited	7	68	5	0	-	-
5	POS COMMISSION (ATOM TECHNOLOGIES)	-	-	22	-	-	-
6	BILL DESK & OTHERS	-	-	28	-	-	-
	Total	2,02,501	2,14,099	29,527	46,684	1,42,328	11,526

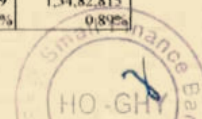
14. Concentration of deposits, advances, exposures and NPAs**14.1. Concentration of deposits:**

Particulars	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	45,52,730	44,12,967
Total Deposits	1,27,72,308	89,01,398
Percentage of deposits of twenty largest depositors to total deposits of the Bank	36%	50%

14.2. Concentration of Advances:

Particulars	March 31, 2021	March 31, 2020
Total advances to twenty largest customers	1,21,564	1,20,543
Total Advances	1,65,46,629	1,34,82,815
Percentage of Advances of twenty largest borrowers to total advances of the Bank	0.73%	0.89%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR No. DR BC 32/13-00/2015-16 dated July 1, 2015.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement
14.3. Concentration of exposures:

Particulars	March 31, 2021	March 31, 2020
Total exposure to twenty largest borrowers/customers	89,372	69,861
Percentage of exposures of twenty largest customers to total exposure of the Bank on borrowers/ customers	0.52%	0.52%

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, 2021	March 31, 2020
Total Exposure to top four NPA accounts	644	324

15. Sector-wise Advances

Sector	As at March 31, 2021			As at March 31, 2020		
	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	58,98,211	8,19,201	13.89%	52,21,971	13,515	0.26%
2. Advances to Industries Sector eligible as PSL	14,39,029	78,322	5.44%	5,90,374	2,930	0.50%
3. Services	81,19,804	9,70,933	11.96%	73,37,340	2,44,106	3.33%
4. Personal Loans and others	13,81,771	47,630	3.45%	1,91,841	1,399	0.73%
Sub-Total (A)	1,68,38,814	19,16,086	11.38%	1,33,41,526	2,61,950	1.96%
B. Non Priority Sector						
1. Agricultural and Allied Activities	-	-	-	31,948	-	-
2. Industry	-	-	-	8,338	-	-
3. Services	-	-	-	58,277	-	-
4. Personal loans and others	4,76,538	538	0.11%	1,43,461	900	0.63%
Sub-Total (B)	4,76,538	538	0.11%	2,42,025	900	0.37%
Total	1,73,15,352	19,16,624	11.07%	1,35,83,551	2,62,850	1.94%

"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 (Principal Balance)

Particulars	March 31, 2021	March 31, 2020
Opening Balance of Technical /Prudential written off accounts as at Apr 1	81,321	-
Add: Technical/ Prudential write offs during the year	-	81,578
Sub Total (A)	81,321	81,578
Less : Recoveries made from previously technical/ prudential written offs account during the year (B)	1,051	258
Closing Balance as at March 31 (A-B)	80,270	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 four members where two are independent Directors and two are Non Executive & Non Independent Director. Mandate of the Nomination and Remuneration Committee is to oversee the framing, review and implementation of the Banks' Compensation policy & Nomination & Remuneration Policy for Whole Time Director/Chief Executive Officers/ Part-Time Chairman/ Risk Takers and control function staff for ensuring effective alignment between remuneration and risks. The Committee also ensures that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Nomination and Remuneration Committee reviews compensation policy & nomination & remuneration policy of the Bank with a view to attract, retain and motivate employees.

Mandate (Roles and Responsibilities):

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

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**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	
	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 Insurance	Medical/Personal Accident/ Life Insurance
Ex-gratia	Bonus/ Variable Pay	Bonus-as mandated by law Variable pay as per limit specified per grade in alignment with variable pay grade

Additional Benefits

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

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

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

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

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement
B. Quantitative Disclosure

Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	March 31, 2021	March 31, 2020
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. 1,50,000/-	5 meetings were held. Aggregate remuneration - Rs. 72,500/-
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 30,000/- per Board meeting and at the rate of Rs 10,000/- per committee meeting respectively. An amount of Rs. 1,280 thousands was paid as sitting fees to Independent Directors during the FY 2020-21. Following is the sitting fees paid to the Independent directors :

Name of Director	March 31, 2021	March 31, 2020
AG Varughese	120	-
Arun Prakash Sandilya	290	30
Bhaskar Jyoti Sarma	290	325
Deep Chandra Joshi	70	250
Gautam Barua	190	160
Manjula Saikia Bhuyan	60	-
PVSLN Murthy	70	-
Ranjit Goswami	160	220
Sutapa Banerjee	-	90
Suvalaxmi Chakraborty	30	-
Total	1,280	1,075

20. Disclosures relating Securitization

Sl. No.	Particulars	March 31, 2021	March 31, 2020
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, 2021	March 31, 2020
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	-	-

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement

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

Particulars	March 31, 2021	March 31, 2020
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 sold PSLC during FY 2020-21

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	PSLC Purchased	PSLC Sold	PSLC Purchased	PSLC Sold
PSLC Small & Marginal Farmers	-	10,00,000	-	-
PSLC Micro Enterprise	-	15,00,000	-	-
TOTAL PSLC	-	25,00,000	-	-

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, 2021 is NIL (Previous Year: NIL)

24. Movement in provision for frauds included under other liabilities

Particulars	March 31, 2021	March 31, 2020
Opening provision	2,479	2,813
Provision during the year	745	-
Utilization / Write back of provision	(13)	(334)
Closing provision	3,211	2,479

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, 2021 :

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets								
1. Total High Quality Liquid Assets	-	40,62,719	-	36,85,669	-	39,42,291	-	34,78,425
Cash Outflows								
2. Retail deposits and deposits from	70,62,795	5,33,899	60,83,931	4,54,853	51,79,564	3,81,662	46,80,244	3,47,986
i) Stable deposits	34,47,611	1,72,381	30,70,803	1,53,540	27,25,887	1,36,294	24,00,777	1,20,039
ii) Less stable deposits	36,15,184	3,61,518	30,13,128	3,01,313	24,53,678	2,45,368	22,79,467	2,27,947
3. Unsecured wholesale funding, of	32,83,108	19,35,379	32,23,695	19,85,255	36,46,831	21,55,042	37,28,133	20,99,419
i) Operational deposits (all	-	-	-	-	-	-	-	-
ii) Non-operational deposits (all	32,83,108	19,35,379	32,23,695	19,85,255	36,46,831	21,55,042	37,28,133	20,99,419
iii) Unsecured debt	-	-	-	-	-	-	-	-
4. Secured Wholesale funding	-	5,45,257	-	1,79,333	-	4,97,942	-	1,18,980
5. Additional requirements, of	-	-	-	-	-	-	-	-
i) Outflows related to derivative	-	-	-	-	-	-	-	-
ii) Outflows related to loss of	-	-	-	-	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding	74,613	74,613	49,953	49,953	2,60,215	2,60,215	3,01,156	3,01,156
7. Other contingent funding	-	-	-	-	-	-	-	-
8. Total Cash Outflows	-	30,89,148	-	26,69,394	-	32,94,862	-	28,67,540
Cash Inflows								
9. Secured lending (e.g. reverse	-	-	-	-	-	-	-	-
10. Inflows from fully performing	16,385	16,385	14,281	14,281	12,000	12,000	6,173	6,173
11. Other cash inflows	12,13,339	10,82,465	6,17,768	5,49,616	7,98,178	7,49,850	8,96,229	8,77,783
12. Total Cash Inflows	12,29,724	10,98,850	6,32,049	5,63,897	8,10,178	7,61,850	9,02,402	8,83,955
13. TOTAL HQLA	-	40,62,719	-	36,85,669	-	39,42,291	-	34,78,425
14. Total Net Cash Outflows	-	19,90,298	-	21,05,496	-	25,33,012	-	19,83,585
15. Liquidity Coverage Ratio (%)	-	204%	-	175%	-	156%	-	175%

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 18 - Notes to Financial Statement

₹ in '000

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	-	98,388
15. Liquidity Coverage Ratio (%)	-	166%	-	559%	-	1399%	-	1577%

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, 2021. However, for all quarters for the year ended March 31, 2021 the Bank has calculated LCR on monthly basis and accordingly disclosure has been made on simple average basis of month end.

26. Notes on Compliances with Accounting Standards

26.1 Earnings per Share:

Particulars	March 31, 2021	March 31, 2020
Net profit after tax (₹)	71,825	1,25,891
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	40
Earnings per share - Basic (₹)	0.24	0.43
Earnings per share - Diluted (₹)	0.24	0.43



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**26.2 Segment Reporting**

Particulars	Treasury		Retail Banking		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Segment Revenue	3,47,124	2,58,528	29,69,197	29,92,294	33,16,321	32,50,822
Un allocated Revenue	-	-	-	-	7,445	202
Less: Inter Segment Revenue	-	-	-	-	-	-
Total Revenue	3,47,124	2,58,528	29,69,197	29,92,294	33,23,766	32,51,024
Segment Expenses	2,52,553	3,350	20,29,388	22,14,494	22,81,941	22,17,845
Segment Results	94,571	2,55,177	9,39,809	7,77,800	10,41,825	10,33,180
Unallocated Expenses	-	-	-	-	5,29,170	4,75,649
Operating Profits					5,12,655	5,57,531
Provisions and Contingencies other than Tax Expenses	-	-	3,96,820	3,64,359	3,96,820	3,64,359
Tax Expenses (including deferred tax)	-	-	-	-	44,010	67,281
Extraordinary profit/loss	-	-	-	-	-	-
Net profit					71,825	1,25,891
Other Information:						
Segment Assets	39,91,453	37,95,441	1,78,93,751	1,46,88,434	2,18,85,203	1,84,83,875
Unallocated Assets	-	-	-	-	6,98,247	21,89,292
Total Assets	39,91,453	37,95,441	1,78,93,751	1,46,88,434	2,25,83,451	2,06,73,166
Segment Liabilities	33,59,123	29,93,391	1,53,85,436	1,40,27,072	1,87,44,558	1,70,20,463
Unallocated Liabilities	-	-	-	-	1,14,366	-
Total Liabilities	33,59,123	29,93,391	1,53,85,436	1,40,27,072	1,88,58,924	1,70,20,463

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 ₹ 59,813 thousands (31-Mar-20 - ₹ 44,166 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, 2021	March 31, 2020
Not later than one year	59,333	43,695
Later than one year but not later than five years	2,57,439	1,67,907
Later than 5 years	1,53,170	1,06,031
The total of minimum lease payments recognized in the Profit and Loss Account for the year	59,813	44,166

26.4 Deferred tax

Particulars of (Asset)/ Liability	March 31, 2021	March 31, 2020
Depreciation	(6,366)	(1,691)
Provision not allowed under Income Tax Act, 1961	-	(22,953)
Expense allowed on cash basis under Income Tax Act, 1961	(17,090)	(21,234)
Others	(1,259)	(2,517)
Total	(24,715)	(48,395)

26.5 Fixed Assets

Particulars	Tangible		Intangible		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	2,36,542	1,65,697	47,867	69,938	2,84,409	2,35,635
Additions during the year	77,680	1,18,886	28,866	1,165	1,06,546	1,20,051
Depreciation charge for the year	(57,666)	(47,664)	(26,970)	(23,236)	(84,636)	(70,900)
Disposal of Assets during the year	(1,524)	(377)	-	-	(1,524)	(377)
Balance at the end of the period	2,55,032	2,36,542	49,763	47,867	3,04,795	2,84,409

26.6 Capital Commitments

Particulars	March 31, 2021	March 31, 2020
Estimated amount of contracts remaining to be executed (Net of advances) and not provided for	-	-

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

NORTH EAST SMALL FINANCE BANK LIMITED
 Guwahati, Assam

Schedule 18 - Notes to Financial Statement

₹ in '000

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, 2021 are disclosed below:

Nature of Related Party	Name and Relationship
Key Management Personnel (KMP)	Rupali Kalita - Managing Director and Chief Executive Officer Ketan Kumar Joshi - Chief Financial Officer 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

a) Transactions during the year

Particulars	For the year ended March 31, 2021			For the period ended March 31, 2020		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Liabilities						
Term Deposit	3,334	2,722	(1,204)	(25,500)	1,382	6,325
Saving Deposit (Net of withdrawal)	-	20	182	-	181	131
Reimbursement of expenses	-	-	-	-	2,028	-
Issue of equity shares	-	-	-	-	-	-
Interest Accrued and due	-	-	-	-	-	-
Assets						
Long Term Deposit receivables	3,149	-	-	2,066	-	-
Expense						
Interest paid on deposits	9,703	518	883	11,414	357	316
Less: Penalty received	-	-	-	440	-	-
Net Interest paid on Deposits	9,703	518	883	10,974	357	316
Payment of Remuneration*	-	11,908	-	-	9,049	-
Reimbursement of Expenses	-	-	-	-	-	-

*Includes Remuneration of INR 4085.03 thousands (Previous year INR 2948.27 thousands) to Managing Director & Chief Executive Officer of the Bank.

b) Balance outstanding as at year end are as follows

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Outstanding as at Year end						
Deposits	1,21,964	7,771	8,531	1,18,630	5,029	9,553
Other Liabilities and Provisions	-	-	-	-	-	-
Receivable as at year end						
Other Assets	3,149	-	-	2,066	-	-

c) Maximum Balance outstanding during the year

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Deposits	1,21,964	7,771	8,531	1,18,630	5,029	9,553
Other Liabilities and Provisions	-	-	-	-	-	-
Other Assets	3,149	-	-	2,066	-	-

NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**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, 2021	March 31, 2020
Contribution towards provident fund	42,217	38,430
Contribution towards ESIC	8,300	7,464
Contribution towards Pension fund	-	-

(ii) Defined benefit plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	March 31, 2021	March 31, 2020
Opening Balance of Present value of obligation	52,466	36,467
Obligation transferred on account of BTA	-	-
Interest Cost	3,460	2,814
Current service cost	11,043	9,242
Benefits paid	(1,911)	(1,298)
Actuarial Loss/ (Gain) on obligation	(1,033)	5,241
Closing Balance of Present value of obligation	64,026	52,466

Expense recognised in profit and loss account

Particulars	March 31, 2021	March 31, 2020
Current service cost	11,043	9,242
Interest Cost	3,460	2,814
Expected return on plan assets	(5,748)	(4,979)
Net Actuarial (Gain)/Loss recognised in the year	(1,033)	5,241
Income recognised in profit and loss account	7,723	12,318

Net Liability/(Asset) recognized in the Balance Sheet

Particulars	March 31, 2021	March 31, 2020
Fair value of plan assets	1,09,785	87,155
Present value of defined obligation	64,026	52,466
Excess of plan assets over present value of obligation	45,759	34,689
Net Asset recognized in balance sheet	45,759	34,689

Change in Fair Value of Plan Assets during the year

Particulars	March 31, 2021	March 31, 2020
Opening balance of fair value of plan assets	87,157	64,522
Plan assets acquired under BTA	-	-
Expected return on plan assets	5,748	4,979
Actual Company Contributions	18,792	18,954
Benefits paid	(1,913)	(1,298)
Actuarial gain/(loss) return on plan assets	-	-
Closing balance of fair value of plan assets	1,09,785	87,157



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement
Actuarial assumptions used

Particulars	March 31, 2021	March 31, 2020
Discount Rate	6.35%	6.60%
Expected Return on plan assets	6.35%	6.60%
Expected rate of salary increase	5.00%	5.00%
Employee Attrition rate		
Upto 30 Yrs	16.08%	16.00%
31-44 yrs	11.12%	11.00%
Above 44 yrs	1.30%	9.00%

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.

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

Particulars	March 31, 2021	March 31, 2020
(Gain)/Loss on Plan Liabilities	426	754
% of Opening Plan Liabilities	-0.80%	2.10%
(Gain)/Loss on Plan Assets	-	-
% of Opening Plan Assets	-	-

(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, 2021	March 31, 2020
Privileged Leave (Actuarial Liability) at the beginning of the year*	25,486	21,558
Privileged Leave (Actuarial Liability) at the end of the year	35,292	25,486
Actuarial assumptions		
Discount Rate	6.35%	6.60%
Salary Escalation rate	5.00%	5.00%

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 the immediately preceeding 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, 2021	March 31, 2020
a) Gross amount required to be spent by the Bank during the year	6,653	3,952
b) Amount spent during the year	9,055	5,381

28. Subordinated Debt

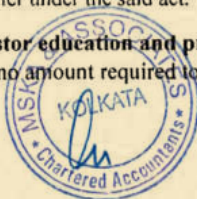
The Bank has no outstanding subordinated debt as on March 31, 2021 (Previous Year : NIL)

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, 2021.

30. Based on the information available with the Bank, 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.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement**32. Dividend Distribution**

The Reserve Bank of India (RBI), vide notification dated December 4, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final dividend for the financial year ended March 31, 2020.

Given that the current "second wave" has significantly increased the number of COVID-19 cases in India and uncertainty remains, the Board of Directors of the Bank, has considered it prudent to currently not propose dividend for the financial year ended March 31, 2021.

The Board shall reassess the position based on any further guidelines from the RBI in this regard.

33. 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.

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. The moratorium was further extended till August 31, 2020 in accordance with RBI guidelines dated May 23, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still 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).

The extent to which the COVID-19 pandemic, including the current "Second Wave" that has significantly increased the number of cases in India, will continue to impact the Bank's results will depend on ongoing as well as 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.

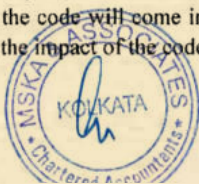
Due to above, the extent to which the COVID-19 Pandemic will impact the bank's financial statements will depend on the future developments and incapable of assessment at this point in time.

34. Ex-gratia Payment towards "Interest on Interest"

Bank is calculating Interest using Simple Interest Method only and accordingly not charged any "Interest on Interest" to the borrowers during Moratorium period 1st March'2020 to 31st August'2020. Accordingly, Bank has not refunded/adjusted "Interest on Interest" to borrowers in line with RBI circular "RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22" Dated: 7th April'2021 regarding "Refund/adjustment of 'interest on interest charged to the borrowers during the moratorium period'"

35. The Government of Assam has recently introduced "The Assam Micro Finance Institutions (Regulation of Money Lending) Act, 2020" (the Act) to regulate the Micro Finance Institutions or Money Lending Agencies or Organizations operating in the State of Assam and for the matters connected therewith and incidental thereto. The Act introduces various regulations with respect to granting of loans, transparency in charging of interest rates, recovery mechanism, conditions for disbursing additional finance to existing customers and settlement of disputes. The Bank is in the process of evaluating the requirements of the Act and would accordingly align its business activities. The impact of the Act on the Bank's financial statements, if any, is not ascertainable at this point of time.

36. The code on social security, 2020 ("code") relating to employee benefits during the employment and post-employment benefits received presidential assent in September 2020. The code has been published in the official Gazette of India. However, the date on which the code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Bank will assess the impact of the code when it comes into effect and will record any related impact in the year of code becomes effective.



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

₹ in '000

Schedule 18 - Notes to Financial Statement

37. Prior period comparatives

Figures for the previous period have been regrouped and rearranged wherever necessary in conformity with the current year's presentation.

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

For and on behalf of the Board of Directors

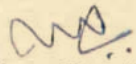
Chartered Accountants
Firm Registration Number : 105047W



Puneet Agarwal
Partner

Membership No - 064824

Kolkata
July 30, 2021



Tapan Kumar Hazarika
Chairman
DIN : 08088195



Rupali Kalita
Managing Director & CEO
DIN : 02114098

Guwahati
July 30, 2021



Manjula Saikia Bhuyan
Independent Director
DIN : 08156782



Ketan Kumar Joshi
Chief Financial Officer
M.No - 056916



NOTICE

Notice is hereby given that the 5th Annual General Meeting of North East Small Finance Bank Limited will be held at 10:00 AM, on Wednesday, 29th day of September, 2021 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, 2021 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 Baweja & Kaul, Chartered Accountant, (Firm Registration No. FRN-005834N) 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 5th Annual General Meeting till the conclusion of 6th 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".

SPECIAL BUSINESS.

3. Appointment of Mrs Manjula Saikia Bhuyan 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 Mrs Manjula Saikia Bhuyan as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 20.01.2021 to 19.01.2026."

"FURTHER RESOLVED THAT Ms. Rupali Kalita, MD & CEO and Mr. Ketan Kumar Joshi, Chief Financial Officer of the Bank be and are hereby authorized to do all such acts and deeds and things to give effect to the above resolution."

4. Appointment of Mr Ram Krishna Garg as an Independent Director.

"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 Ram Krishna Garg as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 25.05.2021 to 24.05.2026."

"FURTHER RESOLVED THAT Ms. Rupali Kalita, MD & CEO and Mr. Ketan Kumar Joshi, Chief Financial Officer of the Bank be and are hereby authorized to do all such acts and deeds and things to give effect to the above resolution."

5. Appointment of Mr Tapan Kumar Hazarika as an Independent Director.

"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 Tapan Kumar Hazarika as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 29.06.2021 to 28.06.2026."

"FURTHER RESOLVED THAT Ms. Rupali Kalita, MD & CEO and Mr. Ketan Kumar Joshi, Chief Financial Officer of the Bank be and are hereby authorized to do all such acts and deeds and things to give effect to the above resolution."

6. Appointment of Mr Sistla Prabhakar as an Independent Director.

"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 Sistla Prabhakar as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 30.07.2021 to 29.07.2026."

"FURTHER RESOLVED THAT Ms. Rupali Kalita, MD & CEO and Mr. Ketan Kumar Joshi, Chief Financial Officer of the Bank be and are hereby authorized to do all such acts and deeds and things to give effect to the above resolution."

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

Place: Guwahati
Date: 07/09/2021

Rupali Kalita
Managing Director

NOTES:

1. A member entitled to attend and vote at the 5th 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 2020-21 of the company is also available on the company's website at www.nesfb.com.
7. Member desirous of obtaining any information concerning the accounts and operations of the company are requested to address their questions in writing to the company at least 10 days in advance before the date of annual general meeting, so that the information required may be available at the meeting.

8. Shareholders are requested to kindly bring their copies of annual report to the meeting.
9. The explanatory statement as required under section 102(1) of the Companies Act, 2013, is annexed hereto and all documents referred to in the same will be open for inspection by members, at the registered office of the company during normal working hours up to the date of the annual general meeting.

By order of the Board of Directors

For North East Small Finance Bank Limited

Place: Guwahati
Date: 07/09/2021

Rupali Kalita
Managing Director

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

Item No.3:

Mrs Manjula Saikia Bhuyan [DIN-08156782] was appointed as Additional Director in the Board meeting dated 20.01.2021 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, Mrs Manjula Saikia Bhuyan as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 20.01.2021 to 19.01.2026. Therefore, Shareholders approval is required for the appointment of Independent Director in the Board of the Bank.

Further, Mrs Manjula Saikia Bhuyan 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. 3 of the Notice.

Item No. 4:

Mr Ram Krishna Garg [DIN-02164119] was appointed as Additional Director in the Board resolution passed through circulation on 25.05.2021 and taken note in the in the Board meeting dated 30.07.2021 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 Ram Krishna Garg as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 25.05.2021 to 24.05.2026. Therefore, Shareholders approval is required for the appointment of Independent Director in the Board of the Bank.

Further, Mr Ram Krishna Garg 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 Tapan Kumar Hazarika [DIN-08088195] was appointed as Additional Director in the Board Resolution by circulation on 29.06.2021 and taken note in the in the Board meeting dated 30.07.2021 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 Tapan Kumar Hazarika as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 29.06.2021 to 28.06.2026. Therefore, Shareholders approval is required for the appointment of Independent Director in the Board of the Bank.

Further, Mr Tapan Kumar Hazarika 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. 5 of the Notice.

Item No. 6:

Mr Sistla Prabhakar [DIN-09249122] was appointed as Additional Director in the Board meeting dated 30.07.2021 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 Sistla Prabhakar as an Independent Director on the Board of North East Small Finance Bank Limited for a term of five years with effect from 30.07.2021 to 29.07.2026. Therefore, Shareholders approval is required for the appointment of Independent Director in the Board of the Bank.

Further, Mr Sistla Prabhakar 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. 6 of the Notice.

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

Place: Guwahati
Date: 07/09/2021

Rupali Kalita
Managing Director

NORTH EAST SMALL FINANCE BANK LIMITED

(CIN: U65100AS2016PLCO17505)

Registered Office: 1st & 3rd Floor, Fortune Central, Basistha Road,
Basisthapur, Bye lane No:3, Guwahati-781028Website: www.nesfb.com, Email: contact@nesfb.com

Phone No: +91 361 7180001,

5th ANNUAL GENERAL MEETING- WEDNESDAY, SEPTEMBER 29, 2021 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 5th 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 29, 2021.

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".**

.....

MGT 11

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 5th Annual General Meeting of the company, to be held on Wednesday, September 29, 2021 at 10 AM at board room, 3rd floor, fortune Central, Basisthapur, Guwahati-781028 and at any adjournment thereof in respect of such resolution as are indicated overleaf.

Resolution No.	Resolution	Vote (See Note 3)	
Ordinary Business		for	against
1	To receive, consider and adopt the Audited Financial Statement & Directors Report for the year ended 31st March, 2021 and Auditor’s Report and the comments thereupon.		
2	To appoint M/s Baweja & Kaul, Chartered Accountants, firm registration No FRN-005834N as Statutory auditors of the company for a period of 1 (one) financial year.		
Special Business			

3	To approve the appointment of Mrs Manjula Saikia Bhuyan as Independent Director in the Board of Directors of the company wef January 20, 2021 for a term of 5 years i.e. till January 19, 2026.		
4	To approve the appointment of Mr. Ram Krishna Garg as Independent Director in the Board of Directors of the company wef May 25, 2021 for a term of 5 years i.e. till May 24, 2026.		
5	To approve the appointment of Mr. Tapan Kumar Hazarika as Independent Director in the Board of Directors of the company wef June 29, 2021 for a term of 5 years i.e. till June 28, 2026.		
6	To approve the appointment of Mr. Sistla Prabhakar as Independent Director in the Board of Directors of the company wef July 30, 2021 for a term of 5 years i.e. till July 29, 2026.		

Signed this day of 2021.

Signature of Shareholder
on revenue stamp

Note:

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

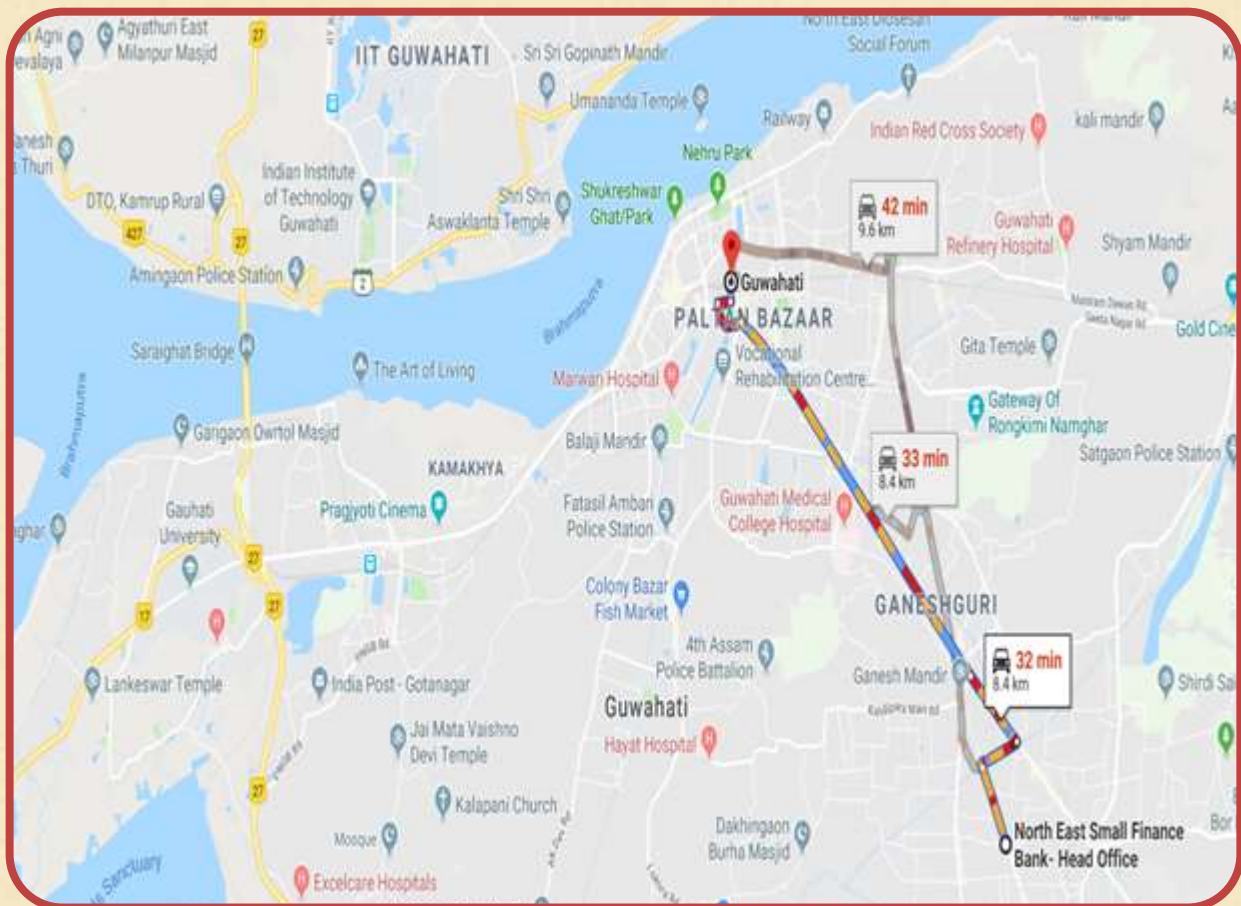
2. A person can act as Proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the company may appoint a single person as a Proxy and such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

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

.....

ROAD MAP

AGM VENUE-NORTH EAST SMALL FINANCE BANK LIMITED

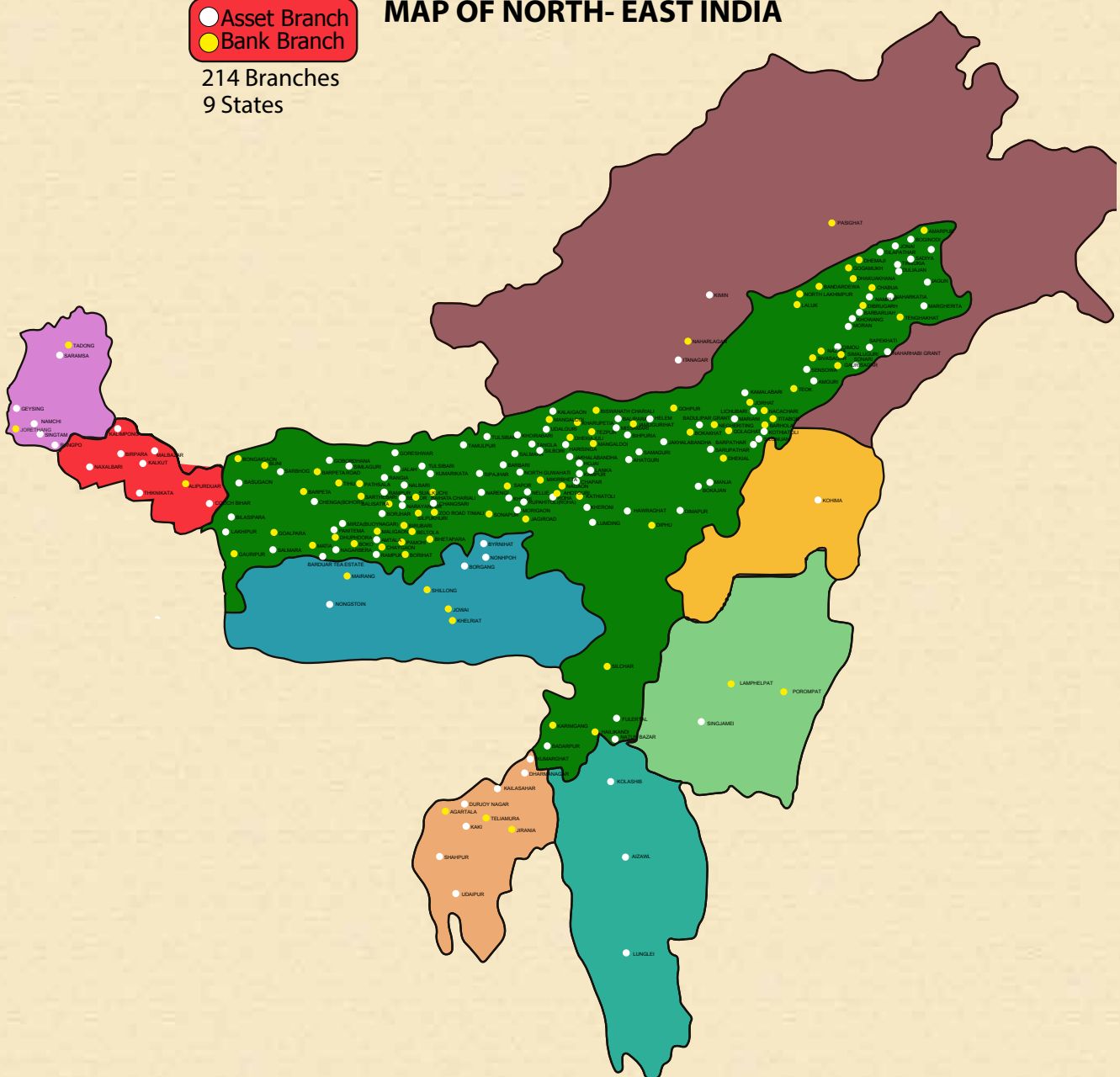


OUR PRESENCE

- Asset Branch
- Bank Branch

214 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