



North East
Small Finance Bank
Your Doorstep Banker



trust the seeds you are planting

**ANNUAL
REPORT
2021-22**





Vision

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

Mission

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.





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AN ALMANAC



a. At the close of the FY 2021-22, we have a network of 214 branches, our liability book gained momentum with deposits growing to Rs. 1528.75 crores as on 31st March, 2022. We have achieved a Portfolio Outstanding of Rs. 1744.72 crores as on 31st March, 2022. Further, as on 31st March, 2022, we have touched and improved the lives of over 4.8 lakh clients spread across 9 states.

b. RBI have approved the directorship of Dr. Ram Krishna Garg, Mr. Tapan Kumar Hazarika and Mr. Sistla Prabhakar as an Independent Director on the Board of North East Small Finance Bank.

c. RBI has granted the approval for appointment of Dr. Ram Krishna Garg as the Part Time Chairman of North East Small Finance Bank for a period of 2 years w.e.f 26th October, 2021 vide its letter no. DoR. GOV.No. S1864/29.44.008/2021-22.

FROM THE DESK OF THE MD & CEO



Dear Shareholders

I present to you the 5th Annual Report of the Bank and the highlights of the Bank's performance for the FY 2021-22. Details of the initiatives and achievements are provided in the enclosed Annual Report of the Bank.

Economic Outlook during the year

After witnessing the slowdown in economy during the last two years due to COVID-19 pandemic, global economy has shown subtle signs of recovery in FY2022 marred by new variants of pandemic virus disrupting the entire macro and micro order. India as a country was reeling with the after effect of the pandemic and the country as a whole needed a lot of investment to restart the major activities and at the same time protect the sporadic increase in infection count by voluntarily limiting major congregation based activities.

As far as the North Eastern region is concerned, particularly Assam experienced severe flood in the various districts. The impact has been hugely felt in agriculture and allied activities sector. The micro and small businesses were also severely affected along with the loss of lives and crops. Income

generation activities in the region has been heavily hit. Going into the little bit of a detail, the economic fall out of the last year its subsequent slow revival has been made worse by the lack of capital at household level which was the need of the crisis hour to help re-start the livelihood activities. Also the burden of already contracted financial debt repayments made lives very difficult for citizens at grass root level catering to the bottom of the pyramid.

We have seen across the terrain where we operate, Livelihood getting Impacted severely leading to requirement of an out of box solution and it came via RBI One Time Restructuring under Covid 2.0. The solution enabled loans to given a tenor extension by 24 months inclusive of moratorium. Almost 50% customers requested help under this facility and large set of such customers requested for assistance to reduce EMI owing to pandemic impact. The request from ground level further encompasses 7-10 Months Moratorium and decrease in EMI subsequently. RBI has allowed restructuring of the all such loans so that borrower get adequate time to generate the necessary income through their activities for the repayment.

Business Environment and Bank's Performance

Parallel to this, the Government of Assam as part of their electoral promise fulfilled their mandate by introducing Assam Micro Finance Incentive and Relief Scheme (AMFIRS) which was signed on Aug-21 with 37 lenders including ourselves. The MOU considers Mar 31,2021 based loan position and has bucketed the loans in 3 buckets of regular, overdue (1-89 days) and NPA and have committed to help the lenders by way of providing incentive for regular payers, clearing the overdue amount for overdue bucket customers followed by incentive for maintaining credit discipline and relief for NPA customers.

Due to govt. declaration of AMFIRS, the hard core defaulters did not come forward to pay their dues with the expectation that the Govt. of Assam will waive the loan, which did not happen as a result we landed with huge NPA and had to make provisions for as per RBI Guidelines. Moreover, 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 perspectives. On the positive side, our diversification to the retail segment has been the biggest positive. We have introduced new retail products like Unnati Business loan, Unnati Business Plus loan, EDL in bigger ticket size, Cash Credit loans etc. along with an arrangement of giving income generation loans by signing MOU with the various Govt. like Govt. Of Meghalaya, Govt. Of Manipur, Govt. of Nagaland and Autonomous District council of Tripura. The Micro and Small Enterprises which are principally unregistered as on date has seen various difficulties as the revival of demand is still slow. All these with present debt obligation pushes the borrowers to be lot more conservative for fresh credit n offtake.

We ended the year 2021-22 with a loss, but our financial parameter saw a little bit of weakening when we compare year on year. This was principally due to rise in NPA. However, we got the 1st tranche of relief money for regular customers declared under AMFIRS. The NPAs are transitory in nature and as and when we will get the 2nd and 3rd instalment from the Govt. of Assam, we will be

able to reduce such NPAs considerably and we will come out of stress.

Dear Shareholders,

Backed by the illustrious legacy of more than decades of your support, your Bank holds a great promise for not only its own future but for the region as an institution of systemic importance. For your support, I extend heartfelt gratitude to all of you and other stakeholders and express my resolve to deepen the trust reposed in us by all our stake-holders. Lastly but most importantly, I would like to thank our investors for lending their gracious support during such challenging times. I am also grateful to the esteemed Board of Directors of NESFB for their guidance. And I am highly thankful to the workforce of the Bank, whose commitment, sincerity and honest efforts have made the Bank's annual performance possible. As I look forward, I can see this Bank has the potential to bounce back strongly and scale the greater heights.

I also place on record and thank RBI, NABARD, SIDBI, SLBC, State Govt Officials for their guidance and support during this time of crisis.

We are confident that we will continue to grow from here and strengthen the organisation going forward. The coming year 2022-23 will see NESFB initiate transformation cycle as we plan our roadmap for the multiyear growth path and finally unveiling public issue in the coming years.

Yours Sincerely

Rupali Kalita
MD & CEO

COMPOSITION OF THE BOARD OF NESFB LTD

SL NO	NAME	DESIGNATION	NATIONALITY
1	Dr. Ram Krishna Garg	Independent Director & Part Time Chairman	Indian
2	Ms Rupali Kalita	Managing Director & CEO	Indian
3	Dr Gautam Barua	Independent Director	Indian
4	Ms. Manjula Saikia Bhuyan	Independent Director	Indian
5	Mr. Sistla Prabhakar	Independent Director	Indian
6	Mr. Tapan Kr Hazarika	Independent Director	Indian
7	Ms. Smriti Chandra	Nominee Director	Indian
8	Mr. Adayadiyil George Varughese	Nominee Director	Indian
9	Mr Shri Ram Meena	Nominee Director	Indian



PROFILE OF THE DIRECTORS OF NORTH EAST SMALL FINANCE BANK

Dr. R. K. Garg (Independent Director and Part Time Chairman)



Dr. Ram Krishna Garg, a PhD. Superannuated as Chief General Manager (Risk Management), from State Bank of India, in April 2013, after heading the Bank's North East Operations for two years. He has vast experience in setting up New Companies for State Bank, resolving Stressed Assets for the Bank, managing High Value Industrial credit, Heading the Bank's Risk Management function, heading challenging banking operations not only in India but also abroad with responsibilities over Retail Banking including SME, Agri, HR, and International Banking. He has also been associated with several companies, while in service and after retirement as well.

Dr. Garg is an Honours Graduate in Physics, with a Management Post Graduate degree from Banaras Hindu University. While he is a Certified Associate of the Indian Institute of Bankers, he was awarded Doctorate by Gauhati University, for his thesis on "A study of Enterprises based in North Eastern states, based on their credit rating" in April 2015. He has undergone several professional development programmes in Top ranking Indian and International Management Institutes. He has been associated with NESFB since 25/05/2021.

Ms Rupali Kalita (Managing Director & CEO)



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

She is an experienced development banker with an experience of over 36 years in the Banking and Financial Services sector. She has 20 years of experience in Retail Banking in Langpi Dehangi Rural Bank during her tenure as Senior Manager in the bank. 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 by the Reserve Bank of India vide letter No. DBR.NDB.NO.31/16.02.010/2019-20.

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 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 Govt. of Assam and to

a number of public enterprises. He has been associated with NESFB since 30/06/2017.

Ms. Manjula Saikia Bhuyan (Independent Director)



Ms. 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. She has been associated with NESFB since 20/01/2021.

Mr. Sistla Prabhakar (Independent Director)



Mr Sistla Prabhakar is a veteran retired Banker and a former GM in Reserve Bank of India. He was in-Charge of the Foreign Exchange Department of Reserve Bank of India at the time of retirement. He retired after 38 years of experience across various functions of RBI with 25 years of specialized expertise experience in Commercial banks' supervision. During his days in RBI he had played key role in Risk Based Policy and Planning Division, Spearheaded the team that designed & implemented the new Risk Based Supervisory, released series of publications relating to SPARC, IRISc model and Compendium of data, was an active member of the Asset Quality Review (AQR) team and was also Lead District officer and Nominee Director on the

Boards of RRBs

Post retirement Mr. Sistla Prabhakar has worked as Banking Supervisory Specialist (in the rank of CGM) with SBI. He has been associated with NESFB since 30/07/2021.

Mr. Tapan Kr Hazarika (Independent Director)



Mr Hazarika has wide experience of Agri-Banking sector having worked with NABARD and retired as Chief General Manager. He has a Master's Degree in Economics from the Delhi School of Economics, University of Delhi.

During his stint with NABARD, he was looking after Corporate Planning, Business Strategy & Development, Rural Credits and monitoring of promotional programmes. He was instrumental in drafting, finalizing (and coordinating with DFS, MoF) various budget proposals relating to promotion of rural credit/development for incorporation in the (Annual) Union Budget of GOI. He played a key role as member in various Corporate Level Committees viz. Management Committee, Investment Committee, ALCO etc. besides being member in the Board of Supervision (BoS) for State Co-operative Banks (StCBs), District Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs) responsible for providing directions and guidance on matters related to supervision and inspection and review of inspection findings of these banks and suggesting appropriate measures. He has been associated with NESFB since 29/06/2021.

Ms. Smriti Chandra (Nominee Director)



Ms. Smriti Chandra runs NMI's Indian office. Prior to joining NMI, she was a co-founder of a boutique Investment Banking outfit – First League Ventures – based out of New Delhi, India for 3 years, focused on supporting start-up companies in M&A and raising seed to Series A venture capital funds across technology and consumer sectors. Previously, Ms. Chandra also worked at EY for 10 years where she served clients in multiple sectors with a focus on transaction advisory services, including investment banking (M&A and private equity fund raising), financial due diligence and bid advisory services. She has also worked with KPMG in their transfer pricing division. Ms. Chandra is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and a Commerce graduate from Bangalore University. She has been associated with NESFB since 20.04.2021.

Mr. Adayadiyil 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 (Erstwhile 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. He has been associated with NESFB since 17/10/2020

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. He has been associated with NESFB since 24/02/2021.



PROFILES OF KMPs OF NORTH EAST SMALL FINANCE BANK LIMITED

Ms. Rupali Kalita

Managing Director & Chief Executive officer



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She is an experienced development banker with an experience of over 36 years in the Banking and Financial Services sector. She has 20 years of experience in Retail Banking in Langpi Dehangi 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.

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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. Sanjeeb Kumar Mishra

Company Secretary and Head Legal



CS Sanjeeb Kumar Mishra, a fellow member of Institute of Company Secretaries of India and a Law Graduate, having 19 years of experience as a Company Secretary. He has a vast experience in Legal Advisory, Contract Management, Compliance, Regulatory, Litigation, Corporate Restructuring, Corporate Secretarial and Tax experience in diverse techno-commercial aspects of law in different industries such as Manufacturing, Infrastructure, Transport and Freight Forwarding. He has experience in IPOs, Right Issues, Private Equities (PE) and Foreign Direct Investments (FDIs). Well versed with project funding, working capital management and finance, renewals, equipment financing and project evaluation, Expert at development and evaluation of joint ventures, consortiums and alliances for new business and consequent SSAs/ SHAs and JV agreements. He has been handling important portfolios at North East Small Finance Bank since September 2021 both as a Company Secretary and Head Legal. Decision-making capabilities and holistic approach towards work are his distinctive qualities.

PROFILES OF SMPs OF NORTH EAST SMALL FINANCE BANK LIMITED

Mr. Madhurjya Kalita

Chief Technology Officer



Mr. Madhurjya Kalita, CTO carries with him over 26 years of experience in IT Infrastructure Management, Cyber Security, IT Governance and Compliance, IT Operations and Management, Network Infrastructure Management and General Banking. He holds BE (Computer Science Engineering) from Jorhat Engineering College, Assam. In addition to his academic qualification, he also holds CAIIB, CISA & CISSP certifications.

He started his professional career from 1995 as a Programmer in the Gauhati High Court, followed by United Bank of India, Syndicate Bank and Canara Bank before joining NESFB. During his professional careers he has attended multiple trainings on professional development from institutions like NIBM, IDRBT, SIBM (now CIBM), TAPMI etc.

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. Baskar Sivaraam

Chief Operations Officer



Mr. Sivaraam is a seasoned Banker with over 30 years of Banking experience. Started career in 1992 with City Union Bank Ltd a prominent Private sector bank in South India and served the bank for a period of 6 years then moved to HDFC Bank in 1998. Baskar has worked in Various roles and responsibilities in Retail Branch Banking and Wholesale Banking Operations for a period of 21 years. Baskar was heading the Operations vertical for State Head for Madhya Pradesh and Chattisgarh in his last assignment with HDFC Bank. Baskar is a Mathematics graduate and possess few certification Viz.. JAIIB, Certificate in Foreign Exchange, Certificate in AML and KYC from Indian Institute of Banking and Finance.

Mr. Aashish Bora
Chief Risk Officer


Mr. Aashish Bora has joined North East Small Finance Bank on 31st July, 2018 and is working in the capacity of Chief Risk Officer. As a professional banker, he has comprehensive knowledge and working experience of over 15 years in multiple areas of banking like Corporate Banking, Credit Underwriting, International Banking, Risk and Strategy. He started his career at HDFC Bank which was a pre-placement offer given during his MBA and was part of Emerging Corporate Group. He went on to join State Bank of Mauritius whereby he had an exposure in International Banking, Risk and Strategy. Mr. Bora brings about an all-round exposure to different geographical terrains and customer behavior in unique customer segments right from Corporates to

Institutional to International to Retail and finally to a differentiated banking environment focused on financial inclusion. His comprehensive knowledge, understanding of the business, analytical acumen, problem solving approach from the perspective of vision of the bank and its directors, governance, risk, internal control and assurance functions along with leadership quality with effective communication led decision making ability which translates to organizational level commitments, execution and delivery are the key traits which brings to the table as part of NESFB leadership.

Mr. Debraj Banerjee
Chief Vigilance Officer


Mr. Debraj Banerjee has joined North East Small Finance Bank on 3rd September, 2018 and is presently working in the capacity of Chief Vigilance Officer. He has a profound expertise in the field of Retail Banking Operation, Quality, Compliance and Audit totaling 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
Business Head


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 20 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.

Mr. Gunajit Bayan**Head - Asset**

Mr Bayan has been associated with the organization, since its inception. His past experience includes promotion of SHGs, SHG Federation, promotion and development of voluntary organizations engaged in economic development of the rural mass, heading NGO development operations at Nagaland, Manipur, Meghalaya and Assam. He has extensive experience in working in the North East region and understands the peculiarities of running operations in the region.

PARTNERS IN PROGRESS



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

We have just completed the financial year 2021-22 and started the new financial year FY 2022-23. The bank as a whole faced a variety of challenges during last year.

Key highlights of financials are presented as below:

	(Rs in '000)	(Rs in '000)
Particulars	FY 2021-22	FY 2020-21
Interest income	31,41,593	31,44,135
Other income	1,42,314	1,79,631
Total income	32,83,907	33,23,766
Expenditure		
Interest Expended	12,20,555	13,91,212
Operating Expenses	14,20,695	14,19,899
Provisions and Contingencies	18,74,655	4,40,830
Total expenditure	45,15,904	32,51,941
Net Profit (Loss) After Tax	(12,31,998)	71,825
Profit Brought Forward	4,72,301	4,68,432
TOTAL	(7,59,697)	5,40,257
Transfer to Statutory Reserve	-	17,956
Transfer to Investment Fluctuation Reserve	-	50,000
Balance Carried to Balance Sheet	(7,59,697)	4,72,301
TOTAL	(7,59,697)	5,40,257
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	(4.2)	0.24
Diluted	(4.2)	-

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS

We have achieved a Portfolio Outstanding of Rs.1744.72 crores as on 31st March, 2022. Business was impacted due to COVID 19 Pandemic & socio economic issues that took place during 2021-22.

However total deposit has seen a rise to Rs. 1528.78 crores as on 31st March, 2022 as against Rs. 1277.23 crores as on 31st March, 2021 which has increased by 20%.

As on 31st March, 2022, we have a total of 214 bank branches spreading across 9 states (Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Meghalaya, Nagaland and West Bengal).

OPERATIONS

Our Branches reflect Bank's image and serve as an indicator of our growth industry. Our Branches mobilizes deposits from New to Bank customers as well as of Existing Customers and drive customer engagement strategy across our various products and services.

The objective of having the Central Operations is to support the various initiatives undertaken by the Bank to improve its operational efficiency of the bank. The Central Operations of the Bank is based out of Guwahati HO.

During FY 2021-22, the Bank's Central Operations supervised:

- 365 days' operation to facilitate reconciliation and settlement of UPI services
- 24x7 NACH implementation.
- Setting up micro-ATMs
- Operationalizing of 'Positive Pay'
- LEI Implementation in RTGS & NEFT
- Credit Check during on-boarding of Current Account

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

During the year under review, the Central Operations also supported the Business Continuity Plan (BCP) of the Bank, ensuring all payment systems were fully operational.

CREDIT

The department worked on the development and modification of a number of existing asset products Personal Loan to NESFB Staff, Vehicle Loan to NESFB Staff, Cash Credit Facility, Enterprise Development Loan upto Rs 5 (Five) Lakhs, KCC-Fishery, Home Loan, Agriculture and Agriculture- Allied, Loan Against Property to name some. Out of these, Personal Loan to NESFB Staff, Vehicle Loan to NESFB Staff, KCC -Fishery have been launched in the FY 2021-2022. The Department has further worked on streamlining various processes involved in the

stages of loan proposal assessment during the financial year 2021-22 resulting in improving of TAT substantially and propelling growth in the overall advance portfolio of the bank. The department has also extended its support in terms of product configuration in the system. During the FY 2021-22, the department has sanctioned in excess of Rs.14157 lacs. The credit monitoring unit that has been set-up to monitor and oversee the overall advance portfolio has been functioning dedicatedly to ensure the health of the advance portfolio.

HUMAN RESOURCE

HR Vision

A learning organization-all aspire to join.

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

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

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

Talent Acquisition:

HR on-boarded 650 new hires to the Bank in the FY 2021-22. Apart from the important field officers and HO officials, some senior positions like Chief Operations Officer, Chief Compliance Officer, Chief Technology Officer, Company Secretary and Head Legal, Head - IT Applications were key closures during FY 2021-22.

PMS roll out:

KRA and KPI were distributed to the employees. Fully integrated online PMS implemented for eligible 1742 employees along with Zonal Council as well as Head Office Councils in Workline.

Employee Retention Policy:

To make NESFB a good place to work with employee friendly HR schemes. Employees are already benefitted from Car Scheme for senior employees, ESOP, Personal Loan in discounted interest rate, Performance Linked incentive, incentives, salary corrections for few staff. Benefits given to Drivers and GPS working in Holidays, Deferred Joining Bonus scheme, fixed increment to Performance pay etc. are to come.

Career Progression:

499 employees were rotated during the year which will continue for wider exposure of employees as well as compliance in mind. 77 employees were promoted to higher rank and retail businesses those joined the MFI business earlier through career progression in banking positions.

New implementations in Workline HRMS:

- Payroll online system implemented in Workline.
- TDS processing in Online system.
- Online 24Q for TDS return.
- Full and final settlement implemented in Workline.
- Confirmation process of Staff in Workline.
- Fully implemented online attendance.
- Online Training module.

Pipeline activities in Workline:

- Online TA/DA reimbursement.
- Online notice issue to absconding employees.

The Way Forward:

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

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

Continuous Education Policy

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

Certification Courses

Employees are encouraged to get certifications as per banking requirements.

Training, Learning & Talent Development

The employees at Branches and Offices were resilient and responded well to the workplace challenges. They ensured and demonstrated that capacity building and learning is the key to successfully navigate the unprecedented challenge and stayed on-course to deliver desired business results. Towards building the link for common banking purpose the bank continues to derive a stepped up learning and development initiatives and multiple learning solutions and invested in upskilling and reskilling of employees.

Bank has a prime focus on employee capacity building, as a learning organization, in the year 2021-2022 we ensured that the continues learnings are available for learners. Hence, the role based and need base learning interventions are derived during the year. Below are some important learning initiatives taken during the year.

- Total Internal & External Learning program offered during the year is - 102
- Total number of participants attended multiple training program programs are - 2010.
- The learner attendance percentage stood at 80%.
- Total learning hours clocked during the year is 18,400.

Employee Connect:

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

TECHNOLOGY

NESFB has a dedicated technology team. These team aligns with business needs to provide effective and timely solutions to business problems and help launch customized products. NESFB leverages technology to deliver solutions and services for its employees and customers across different platforms. The centralized infrastructure deployment is outsourced to 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), SMS banking and Corporate Internet 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. It aims to bring all the transactions for our rural customers under a single core platform, including the on-boarding of customers through enhanced digital technology adoption in its platform.

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 articulates the audit strategy in terms of a concerted focus on strategic and emerging business risks.
- These inputs form a key step in the identification of the audit universe for the audit planning exercise.
- The audit frequencies are in sync with the risk profile of each unit to be audited. This is in alignment with 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 in Charge - IAD. The Audit Committee of the Board reviews the efficacy of the internal audit function, effectiveness of the internal controls laid down by the Bank and compliance with internal and also regulatory guidelines.

Snapshot on Audit Conducted during the financial year 2021-22:

Sl No	Type Of Audit	Audit Done(YTD)
1	Micro Assets Audit (With Score)	130(Out of which 37 audits conducted through remote Basis)
2	Risk Based Audit (RBA)	71(Out of which 22 audits conducted through remote Basis)
3	System (Management) Audit	2
6	Concurrent Audit (HO)	3 Departments (CPC, Finance & Treasury) for 12 Months
7	Concurrent Audit (Branch)	79

VIGILANCE DEPARTMENT

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

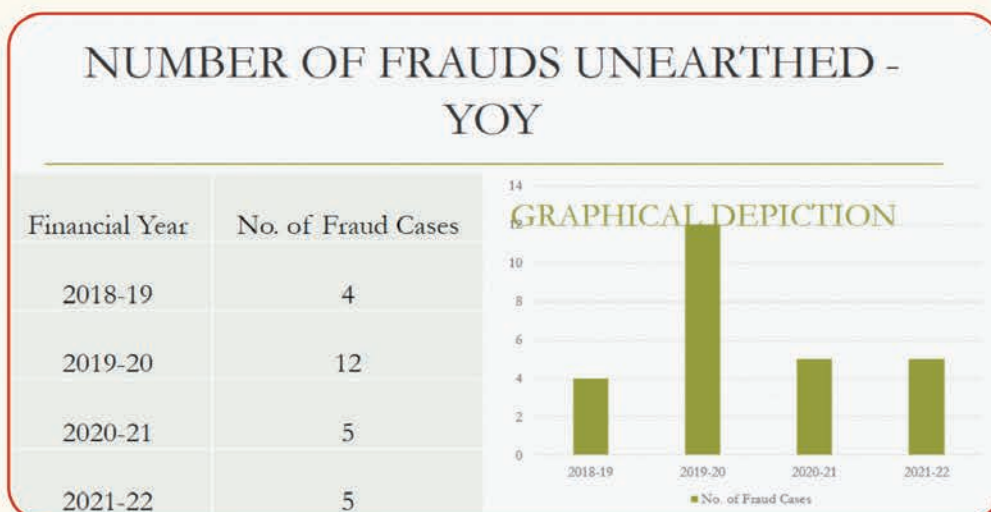
Investigative vigilance is aimed at identifying and verifying the occurrence of a lapse. 34 number of cases were investigated as a part of investigative vigilance for this fiscal. Root cause analysis of the frauds perpetrated is done and shared with the management for the prevention and better monitoring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

FRAUDS UNEARTHED

Several measures/initiatives have been taken in the year 2020-21&2021-22 to prevent the number of frauds perpetrated by making employees more vigilant.



MAJOR ROOT CAUSES

All the processes and procedures are in place and there is little gap in the same. The only cause of the frauds being perpetrated is people failure.

MAJOR ROOT CAUSES

PEOPLE FAILURE

- - Intentional compromise with laid down guidelines
- - Supervisory Lapse

CHANGE AGENT OF THE ORGANISATION

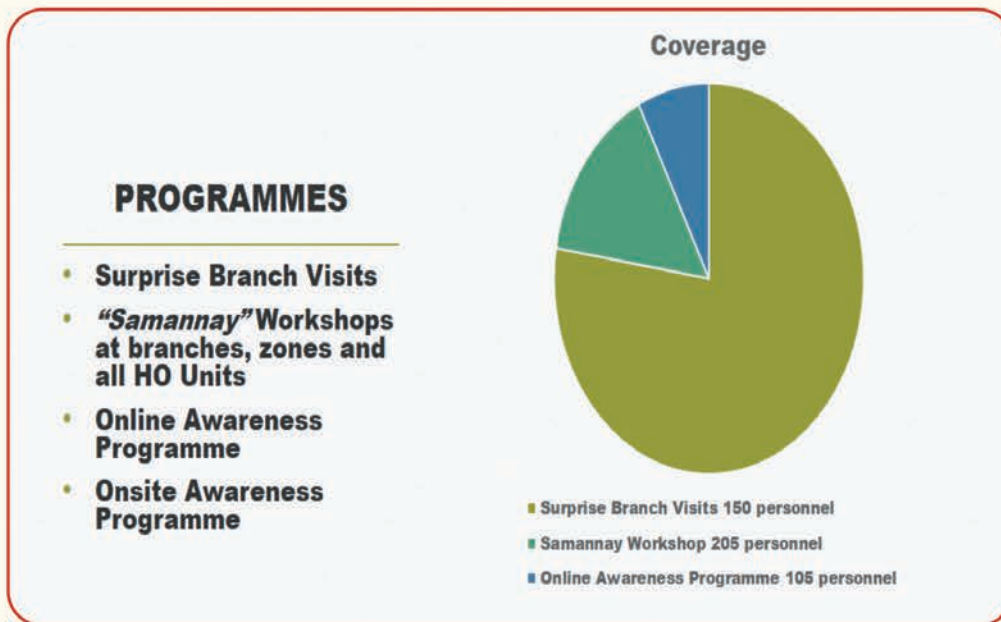
Vigilance Unit has identified business processes which need improvement and areas which need attention to bring more transparency into the system. The Unit proposed various changes in the SOPs / manuals / circular guidelines etc. to strengthen the control process which proved very effective.

VIGILANCE – CHANGE AGENT OF THE ORGANIZATION

- Test of Effectiveness for all products and processes in vogue
- Test of Design for all SOP's and Manuals
- Advisory and prime monitor for end to end implementation
- Plugging the loopholes for all vulnerable segments, products and processes
- Instrumental in changing more than 20 products, processes and trajectories
- Running of the “Change Agent Programme” for employee engagement

COVERAGE

As a part of preventive vigilance initiative, Vigilance Unit conducted Surprise visits at branches/zonal offices, surprise inspection at branches, online awareness programs, vigilance workshops at zones, onsite awareness programs at branches and vigilance awareness programs at various departments of head office of the bank.



INVESTIGATIVE VIGILANCE

Vigilance is aimed at deterring the occurrence of a lapse. The unit ensured speedy p of vigilance cases at all stages and the processing of the Inquiry Officer's report: orders of Disciplinary Authority is done properly and quickly. Also reviewed from tin the existing arrangements for vigilance work in the bank to see if they are adequate expeditious and effective disposal of vigilance work.

INVESTIGATIVE VIGILANCE

- 95.5% of charges framed have been proved in Domestic Enquiries
- Quality of investigative observations upheld to be factually correct in 99.9% of instances
- Reports submitted within record time
- Minimal disruption in BAU activities during the course of investigative vigilance activities
- All circumstantial and documentary evidences produced

RISK MANAGEMENT

The Department is based out of Head Office and covers all branches of the bank covering the entire spectrum of risks: credit, market, liquidity, interest rate, ALM, operational, reputational 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 2021-22:

In the FY 2021-22, following are the key deliverables of the Risk Department:

1. Risk Appetite Statement
2. Risk Control and Self-Assessment (RCSA) & KRIs for HO Departments & Branches
3. Loss Data Analysis and Thematic Review on the Data Sets.
4. Thematic Risk Reviews pertaining to Branch Operations and Portfolio Credit Risk
5. Thematic reviews pertaining to credit portfolio exposures to NBFC-MFIs
6. Expected Credit Loss of the portfolio
7. Scenario Analysis on Impact of One Time Restructuring of the portfolio
8. Assam Microfinance Incentive and Relief Scheme position for NESFB

CORPORATE SOCIAL RESPONSIBILITY

CSR ACTIVITIES IN 2021-22

"If we lose our Hope, that's our real Disaster" – Dalai Lama

Our lives have not been quite the same since the outbreak of the virus corona and like last year, this financial year sprung up new challenges to the people in general and to the Bank in particular. The effervescent promises made by the politicians to lure the public during elections has resulted in destroying the loan repaying culture of the mass. The outcome has been disastrous to the Bank as a whole and so to the planned corporate social responsibility activities for its customers.

The situation of Covid-19 crisis eased out only towards the second half of the financial year and thus we could start our social projects and programs with our customers.

Mainly due to the artificial crises created by the political scenario in the state and by some vested interest individuals, the main focus was to conduct more and more Financial and Digital Literacy Camps for our customers. With these camps we tried to negate the environment regarding the repayment issue among the masses and also to awaken and aware them about the benefits of on-time repayment of loans, enhance their knowledge on Government schemes for Financial Inclusion and our Banking products that are specially designed for their income generation. In line with the approvals given by the CSR Board, the other areas that we specifically worked on are Education projects, supporting Non-Governmental Organizations for developing Clusters, Animal Health and General Public Health.

FINANCIAL AND DIGITAL LITERACY PROGRAM

Financial and Digital Literacy Training Programs have been one of the major activity that is being implemented across all Branches. Over the years, the main purpose of conducting Financial and Digital Literacy Camps (FDLC) has been to introduce Banks products and services to the customers, build their capacity on financial matters that is related to their everyday life, equip them with some basic technical know-how and for customer grievance redressal. But, this financial year, along with the usual topics, we also had to pacify the slanderous statements made by some individuals with vested interests and politically affiliated persons. The pandemic along with these kind of artificial crisis has affected the Banking business in many folds. The financial crisis has not only effected the customer's financial habits but also have affected them psychologically.



In the last quarter of the Financial year, we collaborated with NABARD under the FIF program to conduct FDLCs in the state of Assam. In the last financial year, we have conducted a total of 207 Financial and Digital Literacy Camps benefitting more than 15,000 participants. Out of the 207 FDLCs, 103 FDLCs are in collaboration with NABARD under the FIF supported scheme.

ZONE-WISE REPORT ON FINANCIAL LITERACY CAMPS CONDUCTED

Sl. No.	ZONE	Number of Branches per Zone	Number of Branches conducted FDLC	Number of FDLCs	Percentage of Branches conducting FDLC (%)
1	Bongaigaon	14	3	5	21
2	Guwahati	21	7	31	33
3	Jorhat	19	17	41	89
4	Lakhimpur	17	6	38	35
5	Nagaon	12	9	29	75
6	Tezpur	10	9	35	90
7	Silchar	11	1	1	9
8	Nalbari	15	2	2	13
9	Goalpara	8	1	1	12.5
10	Mangaldoi	15	3	9	20
11	Tinsukia	10	4	15	40
Total			62	207	

EDUCATION PROGRAM

Mini Science Centre

The present education system in the country which is more theoretical in nature is not in sync with the challenges of modern competitive world. A section of people in our society is on the way to postmodern society whereas; about 30 percent people are still illiterate and are lagging behind. The primitive lecture method, especially in primary and high school level is cited as one of the reason for school drop-out as children finds it boring in the class. And more likely or not those children belong from poor family background. Therefore, to make class interesting sufficient teaching aids and modern technological equipment is needed.

The Mini Science Centre (MSC) is an innovative education program aimed at igniting scientific temper among students. The plug and play models support the students in understanding various Science and Math's concepts, so that they are not just 'memorizing' the concepts, but retaining them throughout their lives. The MSCs create curiosity and inquisitiveness among the children to enrich their learning process. The plug and play exhibits help students in experiential learning, so that the students can put the knowledge & skills gained with the help of the MSC to use in a meaningful way, thus opening the doors to numerous opportunities in their future. The teachers too find it extremely easy and comfortable to teach with the help of the exhibits, as the students learn faster when the concept is being demonstrated in front of their eyes. The permanent set up in school not just leads to

transformation in teaching and learning but also bridges the gap between practice, thus Building Brains Beyond Books!

In taking the project ahead, 2 new schools have been identified this financial year, one in Bongaon High School in Belsor and another in North Guwahati Girls High School, North Guwahati. The Mini Science Installation work has been completed in both the schools and Teachers Training is on schedule.

School Note Book Distribution

The initiative to distribute School Note Book at the NPA affected areas of the Branches have been very well received by the students, schools, parents and also by the Branches. The students after receiving the books have expressed their happiness as their parents were not able to buy them good quality writing books.

To support the students and their parents, we received requests from 133 schools from 39 Branches and 7 Zones. A total of 58250 school Note books will be distributed to 9708 students of lower primary school in Assam. Each students shall receive 6 number of note books (2 plain, 2 ruled, 2 Maths).

HEALTH CAMPS

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 our General Health Camps with the support of GNRC Hospital and local MBBS Doctors. In the general Health camps, free consultation services and free medicines were distributed to the villagers.

General Health Camps: Abiding by the government restrictions, Branches managed to conduct 25 General Health Camps with the support of GNRC Hospital and local MBBS Doctors with support staff. In the 25 General Health camps we were able to provide medical support to more than 2125 participants.

Zones	Number of Camps
Dibrugarh	10
Tinsukia	8
Jorhat	2
Tezpur	2
Bongaigaon	1
Guwahati	1
Nagaon	1



COVID 19 RELIEF

To support Assam State Government's effort in handling the coronavirus pandemic, the Bank through its CSR division has donated Rs. 7,98,890 to the State's coffer.

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 tried to target and prioritise the Branches where we have supported Livestock customers and majority of them rear Pigs. Due to Covid 19 and the ensuing economic crisis they were at the receiving end for most of these 2 years. We have been able to provide free



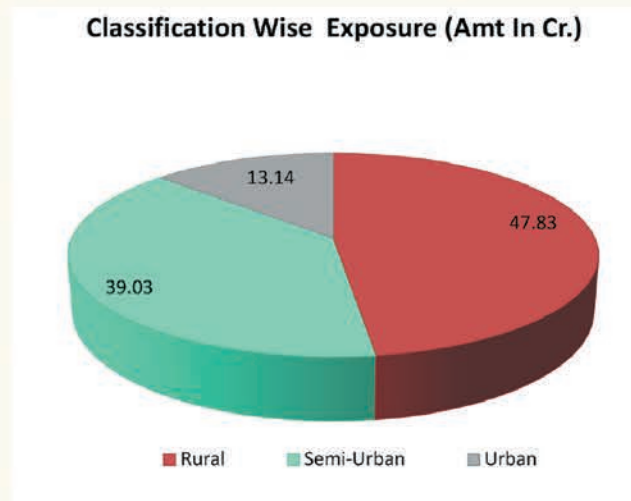
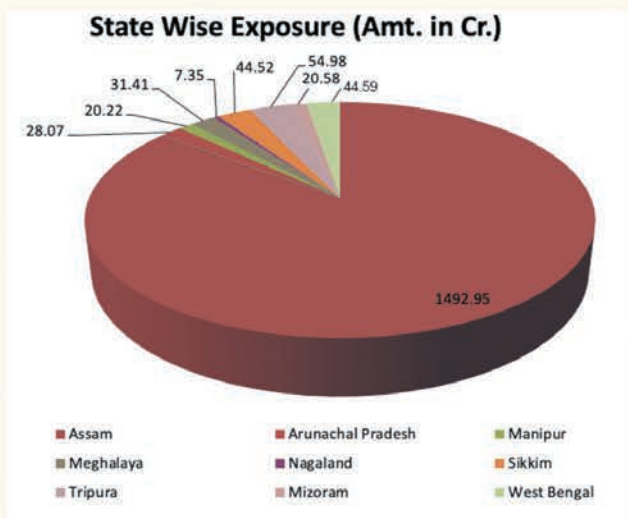
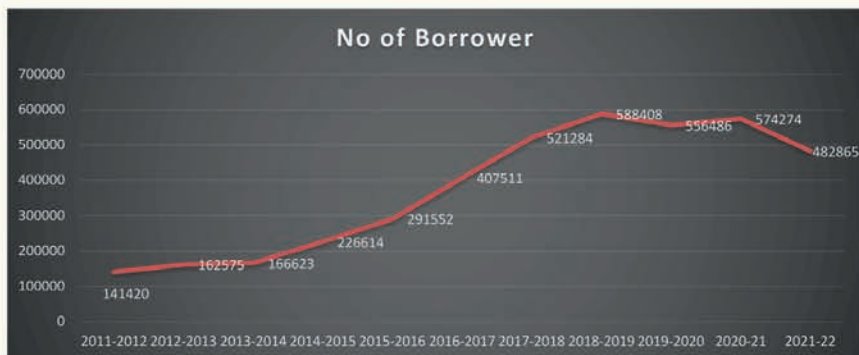
Animal Health Treatment camp and Training every year and this year too once the travel restrictions were lifted by the government, our in-house Veterinary Doctor covered 64 Branches from 11 Clusters and in 8 Zones. We provided treatment and training to animals of 1358 households.

NON-FINANCIAL SERVICES

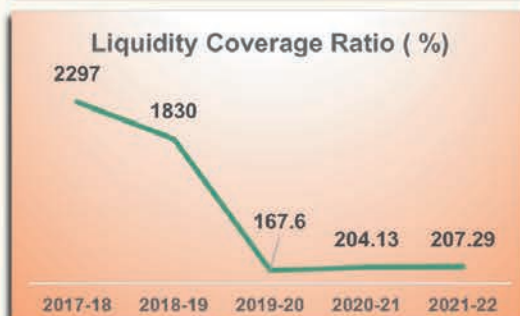
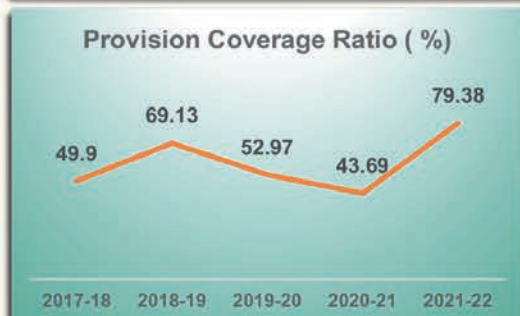
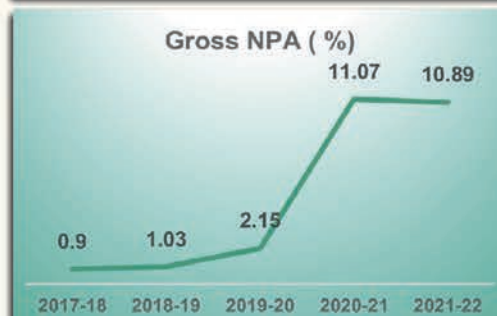
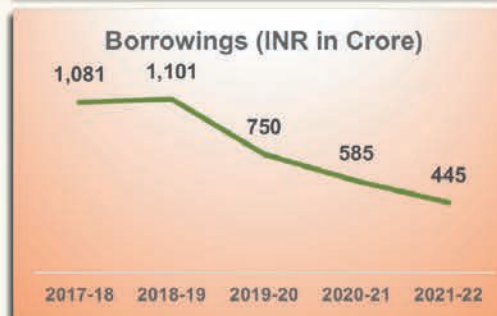
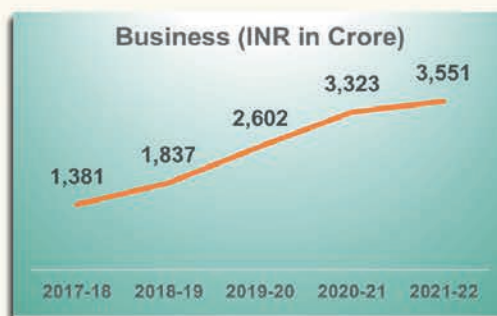
The Non-Financial Services are categorized into Enterprise Services, Education Services, Health Services and Women's Empowerment Services. The sub-categorization of the services is mentioned below:

NON -FINANCIAL SERVICES	NUMBER OF BENEFICIARIES
ENTERPRISE SERVICES	74
Enterprise skills development	
Business development services	
Other enterprise services	
EDUCATION SERVICES	15000
Financial literacy education	
Basic health/nutrition education	
Child and youth education	
Occupational safety and health in the workplace education	
HEALTH SERVICES	2125
Basic medical services	
Special medical services for women and children	
Other medical services	
WOMEN'S EMPOWERMENT SERVICES	15000
Leadership training for women	
Women's rights education/gender issues training	
Counselling/legal services for female victims of violence	
OTHER NON- FINANCIAL SERVICES (Animal Health Camp)	1358

OPERATIONAL HIGHLIGHT



FINANCIAL HIGHLIGHT





INSPIRING STORIES OF SUCCESS



INSPIRING STORIES OF SUCCESS

MONAMI BORAH

Mrs. Monami Borah, a resident of Teok was a simple house wife before she decided to support her husband financially in order to improve their children's future. She has two children, elder daughter is pursuing Technical engineering course after completing her 10+2 and the younger son is studying HS 1st year after completing his Matric exam securing 1st division. She has been associated with us since a long time. Initially she started with a small tailoring unit with only 3 sewing machines and she used to take tailoring orders and delivers as per client requests. Then she took a loan another loan of Rs. 30,000/- with the help of which she purchased 1 more sewing machine and a PICO and Embroidery machine. This way she slowly increased her business volume by taking loans from NESFB. With increase in her business volume and income, she has set up a disposable plate manufacturing unit. She now employs 4 staff in her tailoring unit and the plate manufacturing unit is run by her husband. She has taken loans from NESFB several times and with each cycle she has strived to increase her income. She has plans to open a tailoring school soon.

She is thankful to NESFB for supporting her due to which she has been able to grow her business as well as diversify her business. She has plans to further grow her business and expects that she receives the same financial support as before.



LABANYA BORUAH



*Silk production and weaving are an intrinsic part of Assamese culture. It accounts for the country's entire production of Muga silk and 98 per cent of Eri silk. Muga, often called the pride of Assam, is produced by the *Antheraea assama* caterpillar.*

Labanya Boruah, a resident of Dhakuakhana has started her weaving industry in 2002 and has been able to achieve success in her business by taking loan from NESFB. She has been associated with us since 2016 when she availed her first loan with a loan amount of Rs. 25,000/- in order to expand her business. Later on, she developed her weaving industry with modern technology. Being a regular re-

payer of her loan amount, the Bank has further granted her more loans and in the year 2021, she took a loan of Rs. 85,000/- under MBL Product, which has benefitted a lot for her business. At present, she has 10 machinery loom and she has been providing employment to many of the unemployed people in her locality who belongs to the poor sections of the society.

She has been running her family along with her husband, taking care of her two sons who has completed graduation last year with first class degree. With the help of her sons, Ms. Labanya has started advertising her handloom products through facebook and you tube, a platform through which she has been able to showcase her products and has gained lot of customers out of it. She has now opened a firm named BABU HANDLOOM TEXTILE which is going to have dealership branch in each district of Assam.

“She is very thankful to NESFB for playing a crucial role in securing her family’s future and being a constant support for last 6-7 years”.

EALINA BEGUM



Ealina Begum, a resident of Jorhat, was running a small bakery unit from her home where she used to prepare and pack products like Nimki, Bhujia and similar food items which she used to sold to retail shops. The scale of operations however at that time was low due to lack of capital. During that time she availed her first loan of Rs. 25,000/- from NESFB, in order to increase the production in her bakery unit. As her volume and income grew, she along with her husband opened a grocery shop which they have been running successfully since the last 2 years. The client now employs 2 female and 1 male employee in her bakery unit. With that she has been able to upgrade her house, which was half pucca at the time of availing her first

loan from NESFB, now she has built a proper pucca house from her income. Also, she is managing studies of her two children who are studying in higher secondary school Ms. Ealina also have a savings account with NESFB and has policies in the name of her two children where she deposits around Rs. 10,000/- monthly. Client is now planning to purchase a small commercial vehicle loan, which she plans to use for delivering her bakery products to her clients

“The client expects that NESFB support her in the same way as before in her future business plans so that she further expands her bakery unit”.





DIRECTOR'S REPORT



DIRECTORS REPORT

To

The Members,
North East Small Finance Bank

Your Directors take great pleasure in presenting their 5th Annual Report on the business and operations of the Bank together with Audited Statement of Accounts for the financial year ended 31st March, 2022.

BUSINESS OVERVIEW

The Directors are pleased to inform the shareholders that the Bank's Total Assets in FY 2021-22 stood at Rs. 1744.72 Crore, & deposits at Rs. 1528.78 Crore and CASA ratio at 37.59 %.

The Bank continued its efforts towards building a stronger retail portfolio with contribution of retail advances compared to total advances, increased to 36.64 % in FY 2021-22 from 30% in FY 2020-21. Digitization remains the Bank's key pillar to grow the Retail, MSME and the Transaction Banking businesses, keeping the essence of the mission and vision statements in vogue.

STATE OF THE AFFAIRS OF THE BANK

The Indian Banking Industry is very competitive and the domain of our banking operations pertaining to SFB guidelines and its credit product/services is also tapped by Public and Private Sector Banks. Thus, our market is non-exclusive and our growth strategy depends on our ability to differentiate ourselves and compete effectively. Our Bank's legacy business was primarily micro loan business, particularly centre loans under the Credit Delivery Mechanism of Joint Liability Group, Self Help Group and Individual Loans. The Bank primarily is providing last mile connect to the underbanked and underserved segment of the economy enabling credit linkage to this segment of population and connecting them to formal economy/banking sector. The goal is towards achieving meaningful financial inclusion which implies providing individuals and businesses access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Thus, any developments pertaining to Political, Economic, Social, Technology, Legal, Business Environment and External or any Act of God related adverse developments could affect our business, results of operations, financial condition and cash flows. Our ability to increase our Loan Book in a stable manner associated with timely repayment, portfolio quality management and delinquency related recovery is vital to the financial and operational stability of the Bank. Our inability to timely intervene and control the level of non-performing assets in our portfolio or any increase in RBI mandated

provisioning requirements for early delinquency customers or in non-performing loan customers could adversely affect our business, financial conditions and results of operations.

BUSINESS OUTLOOK

Our Bank had recently introduced new products pertaining to Agri Customers, Micro Segment, Small Businesses, MSME Customers and Retail Customers including Housing Sector. The credit products introduced is in the form of Short-Term Loans to Term Loans as well as Working Capital Loans. The Bank also plans to introduce Non-Fund based Business Products in coming future as well. Thus, with the introduction of several new products and services, we can assure the stakeholders that such products and services will deliver in a positive manner. The Bank envisages to build in a robust IT Platform to the required precision, quality and transparency and enhance in service delivery.

CHANGE IN THE NATURE OF BUSINESS

During the year under review, there has been no change in the nature of business of the Bank.

Your Bank has a hit in terms of Non-Performing Assets due to significant disruption caused primarily due to the COVID 19 pandemic and then due to the AMFIRS predominantly in the State of Assam. The pandemic coupled with the AMFRIS had a severe bearing on the collections, asset quality and sourcing of new business. Despite that, we have a positive operating profit.

1. FINANCIAL HIGHLIGHTS -

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

Particulars	FY 2021-22	FY 2020-21
Interest income	314.16	314.41
Other income	14.23	17.96
Total income	328.39	332.37
Expenditure		
Interest Expended	122.06	139.12
Operating Expenses	142.07	141.99
Provisions and Contingencies	187.46	44.09
Total expenditure	451.59	325.2
Net Profit After Tax	-123.20	7.18
Profit Brought Forward	47.23	46.84
TOTAL	-75.97	54.02
Transfer to Statutory Reserve	-	1.79
Transfer to Investment Fluctuation Reserve	-	5
Balance Carried to Balance Sheet	-75.97	47.23
TOTAL	-75.97	54.02

Earning Per Share (Face Value Per Share INR 10 each)		
Basic	-4.20	0.24
Diluted	-4.20	0.24

2. OPERATIONAL HIGHLIGHTS –

The total net loan portfolio outstanding of NESFB as on 31st March 2022 stands at INR 1627.23 crore. The cumulative disbursement for the Financial Year 2021-22 stands at INR 831.71 crore with Gross NPA of 10.89%. The loan portfolio increased from INR 1731.54 crore to INR 1744.72 crore with a positive growth rate of 0.89% for the FY 2021-22. The portfolio outstanding per branch office is stagnant at INR 8.08 crore in the FY 2021-22. The total deposit has increased by 19.69 % to INR 1,528.78 crore from INR 1277.23 crore during the year. CASA ratio to total deposit is at 37.59%.

The number of branches as on 31st March 2022 was 214.

NESFB has 214 operating branches, which are all Banking outlets (BO) as all Asset offices (AO) spread across 9 states namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur, Mizoram and West Bengal were converted into Banking Outlets,.

As on March 31, 2022

Particulars	Unbanked Rural Centers (URC)	Non-Unbanked Rural Centers	Total
Banking Outlet	170	44	214

The table below exhibits the total number of branches as on March 31, 2022.

State	Total Banking Outlet
Arunachal Pradesh	4
Assam	166
Manipur	3
Meghalaya	8
Mizoram	4
Nagaland	2
Sikkim	7
Tripura	9

West Bengal	11
Grand Total	214

The total staff strength increased from 2025 to 2282 during the FY reflecting a growth rate of 11 %.

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.

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)

Sl No.	Particulars	Amount (INR in '000)
1	Gross NPAs as on March 31, 2021 as reported by the bank	19,16,624
2	Gross NPAs as on March 31, 2021 as assessed by RBI	19,16,624
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as on March 31, 2021 as reported by the bank	11,24,510
5	Net NPAs as on March 31, 2021 as assessed by RBI	8,25,410
6	Divergence in Net NPAs (5-4)	-2,99,100
7	Provision for NPAs as on March 31, 2021 as reported by the bank	7,92,114
8	Provision for NPAs as on March 31, 2021 as assessed by RBI	10,91,214
9	Divergence in Provisioning (8-7)	2,99,100
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2021	71,825
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2021 after taking into account the divergence in provisioning.	-2,27,274

3. DIVIDEND

During the year under Report, the Bank doesn't have adequate profit to declare dividend.

4. AMOUNT TRANSFERRED TO RESERVES

No amount was transferred to Reserves due to inadequacy of profits.

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.

During the year under Report, fresh capital has been infused. The capital structure of the Bank as on 31st March, 2022 is as under;

Sl. No.	Name of Shareholders	<u>F.Y.-2021-22</u>		<u>F.Y.-2020-21</u>	
		No. of Equity shares	No of Compulsorily convertible Preference Shares	No. of Equity shares	No of Compulsorily convertible Preference Shares
1	RGVN (North East) Microfinance Ltd- Holding Company	29,33,84,395	0	29,33,84,395	0
2	Individual Shareholders	600	0	600	0
8	Institutional Investors	7,11,322	1,35,15,114	0	0
	Total	29,40,96,317	1,35,15,114	29,33,84,995	0

7. EMPLOYEE STOCK OPTIONS PLANS (ESOP)

The Bank has not issued any employees stock options to any of its employees.

8. ISSUANCE OF NON-CONVERTIBLE DEBENTURES

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

9. EXTRACT OF ANNUAL RETURN

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

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

10. STATUTORY AUDITORS

M/s Baweja & Kaul, Chartered Accountant Firm was appointed as the Statutory Auditors by the members in the last Annual General Meeting. Their term expires in this Annual General Meeting in 2022. Bank has reappointed M/s. Baweja & Kaul, Chartered Accountants for FY 2022-23, subject to the approval of Reserve Bank of India and the approval of the shareholders in the 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 our Bank.

12. STATUTORY AUDIT OBSERVATIONS:

There were no qualifications, reservation or adverse remarks made by the Statutory Auditors in the Auditors' Report for Financial Year 2021-22.

13. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES.

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

14. DIRECTORS AND KMP: Appointment/re-appointment of Director and KMP during FY 2021-22.

Name	Designation	Date of Appointment
Ms. Smriti Chandra	Nominee Director	20.04.2021
Dr. R. K. Garg	Independent Director	25.05.2021
Mr. T. K. Hazarika	Independent Director	29.06.2021
Mr Sista Prabhakar	Independent Director	30.07.2021
Mr. Sanjeeb Kumar Mishra	Company Secretary	20.09.2021
Mr. Manas Kumar Bid	Nominee Director	30.06.2022
Mr. P. K. Nath	Nominee Director	08.08.2022

COMPOSITION OF THE BOARD AS ON 31.03.2022

SR. NO.	Name	Designation	Date of Appointment
1	Dr. R. K. Garg	Independent Director & Part Time Chairman (PTC)	25.05.2021 [Appointed as PTC on 26.10.2021 as per the RBI approval for 2 years term]
2	Ms Rupali Kalita	Managing Director & Chief Executive Officer	17/10/2017

			<i>[Re-appointment on 17.10.2020]</i>
3	Mr Gautam Barua	Independent Director	30/06/2017
4	Mr. T. K.Hazarika	Independent Director	29.06.2021
5	Mr Sistla Prabhakar	Independent Director	30.07.2021
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. Smriti Chandra	Nominee Director of RGVN (North East) Microfinance Limited, Promoter Company	20/04/2021
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 Shri Ram Meena	Nominee Director	21.06.2022[cessation]
2	Mr Adayadiyil George Varughese	Nominee Director	21.06.2022[cessation]
3	Dr. Gautam Barua	Independent Director	30.06.2022 Reappointment
4	Mr. Manas Kumar Bid	Nominee Director	30.06.2022[appointment]
13	Mr. P. K. Nath	Nominee Director	08.08.2022[appointment]

DETAILS OF KEY MANAGERIAL PERSON U/S 203 OF COMPANIES ACT 2013 AS ON 31.03.2022.

SR. NO	Name	Designation	Date
1	Ms. Rupali Kalita	Managing Director & Chief Executive Officer	17/10/2017 <i>[Re-appointment on 17.10.2020]</i>
2	Mr. Sanjeeb Kumar Mishra	Company Secretary & Head Legal	20/09/2021
3	Mr. Ketan Kumar Joshi	Chief Financial Officer	23/08/2019

15. NUMBER OF BOARD MEETINGS

During the Financial Year 2021-22, nine (9) meetings of the Board of Directors of the Company were held i.e. on 17.05.2021, 30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon)

The details of Attendance of each Director at the Board Meeting for the **FY 2021-22** are given below.

SL No	Name of Directors	Total Meetings to be attended	Date of Meetings	Meetings Attended
1	Dr. GAUTAM BARUA	9	17.05.2021, 30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon)	9
2	Mr.PVSLN MURTHY	1	17.05.2022	1
3	Mr.ARUN PRAKASH SHANDILYA	1	17.05.2022	1
4	Ms. RUPALI KALITA	9	17.05.2021, 30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon)	9
5	Ms. MANJULA SAIKIA BHUYAN	9	17.05.2021, 30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon)	9

6	Mr. ADAYADIYIL GEORGE VARUGHESE	9	17.05.2021, 30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon	9
7	Ms. SMRITI CHANDRA	9	17.05.2021, 30.07.2021, 06.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and	7
8	Dr. RAM KRISHNA GARG	7	06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon	7
9	Mr.TAPAN KUMAR HAZARIKA	8	30.07.2021, 06.09.2021, 30.09.2021, 30.11.2021, 04.03.2022, 28.03.2022, 31.03.2022 (Morning) and 31.03.2022 (Afternoon	8
10	Mr. SHRI RAM MEENA	9	30.07.2021, 30.09.2021, 30.11.2021,	3
11	Mr. SISTLA PRABHAKAR	8	30.07.2021 06.09.2021, 30.09.2021, 04.03.2022, 28.03.2022 31.03.2022 (Morning) and	7

			31.03.2022 (Afternoon)	

**Ms. SMRITI CHANDRA was appointed on 20.04.2021, Mr.PVSLN MURTHY resigned on 21.06.2021, Mr.ARUN PRAKASH SHANDILYA resigned on 19.05.2021, Dr. RAM KRISHNA GARG was appointed on 25.05.2021, Mr.TAPAN KUMAR HAZARIKA was appointed on 29.06.2021, Mr. SISTLA PRABHAKAR was appointed on 30.07.2021.

16. ANNUAL GENERAL MEETING

The Company's 5th Annual General Meeting was held on 29th September 2021 in its registered office at Guwahati.

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

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

18. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

There is no 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. 26.6 [Related party transaction] of Notes to Accounts of Schedule 18 of the Audited Financial Report.

19. 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 2022 was Nil.

20. SECRETARIAL AUDITOR

The Secretarial Audit was carried out by M/s. Narayan Sharma & Associates, Practicing Company Secretaries for the financial year 2021-22. The Report given by the Secretarial Auditor is annexed as **Annexure – I** and forms integral part of this Report and is self explanatory in nature. Secretarial Auditors have issued their Audit report containing few observations on governance and compliance. The observations are given below along with Management response.

1. The Statutory Auditors were not appointed as per the RBI notification no. RBI/2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021 which requires a prior approval of RBI and appointment for a continuous term of 3 years.

However, the RBI has consented to the appointment of Statutory Auditors for one year vide its letter no. CO.DOS.RPD.No.S960 /08-66-005/2021-2022 dated August 24, 2021..

Management Response: As we have received the permission to appoint the Auditor for a year from Reserve Bank of India, we didn't have a choice but to follow the instructions of RBI. There is no violation whatsoever by the Company in this regard.

2. The Bank is yet to frame a policy on appointment of Statutory Auditors as required under the RBI notification no. RBI/2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021.

Management Response: The Policy is approved in the ACB dated 28th July 2022

3. The Bank has borrowed in excess of the limits prescribed under Section 180(1)(c) without obtaining the prior approval of the shareholders by way of a Special resolution.

Management Response: The approval of shareholders by way of a Special Resolution passed in the Extra Ordinary General Meeting held on 24th June, 2022 to comply the provisions.

4. The Bank availed a re-finance facility from SIDBI up to the tune of ₹ 300.00 cr. as approved by the Board of Directors in their meeting held on 30th July, 2021. However, no charge form was filed with ROC for creation of charge.

Management Response: Noted for compliance purposes.

5. While going through the index of charge available on the MCA portal, it is noticed that the Bank is yet to file satisfaction of charge for the loan facility availed from Reliance Home Finance Limited ("RHFL") and closed in the year 2017.

Management Response: The CHG-4 could not be filed as we could not receive the NOC from the lender. We are in the process to get the NOC from lender and after that the eform CHG-4 to satisfy the charge shall be filed.

6. The CSR Report has not been filed in the prescribed format as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as on the date of submission of this Report and also not included in the Annual Report of 2021.

Management Response: The Form was filed on 31st May, 2022 i.e the extended date allowed by the Ministry of Corporate Affairs to file the Form.

7. The Nomination & Remuneration Committee is yet to carry out any evaluation of the Board & its Committees as required under Section 178(2) of the Companies Act, 2013.

Management Response: The Board Evaluation Policy was approved the Board Meeting held on 4th March, 2022. Hence the same was not taken up earlier. As the policy is in place, we shall comply the provision from the FY 2022-23.

8. The Internal Complaints Committee did not meet during the reporting period & no report was submitted to the Board and the District Officer which is in violation of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013..

Management Response: There was no such incident reported as such the committee didnot meet.

9. The Bank is yet to comply with the RBI notification on 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 Identification of MRT / Control Functions Staff has been done. Compensation Policy, Deferred Bonus and PLI Policy of the Bank with respect to MRT was approved by Board. However ESOP policy is still under discussion. Post approval of ESOP Policy, we will be able comply with the Compensation Structure of MRT as per RBI circular.

- 10.The post of Head Treasury (HT) & front office dealer remained vacant in the Bank during the reporting period and the operations were managed by bank staff without having the necessary qualifications as required under RBI circular DBR.No.BP.BC.4/21.03.009/201617 dated August 11, 2016.

Management Response: Noted for future Compliance, however Sourcing is under way.

11. The Customer Service Committee of the Bank met only twice during the reporting period against the requirement of meeting on quarterly basis.

Management Response: Due to the COVID -19 Pandemic second wave the Customer Service Committee meeting at Branch level could not be held as such the Board Committee could meet only twice. However as per the direction of the Board even if Meetings at Branch level are not held the Board Customer Service Committee meetings will be held very quarter going forward.

12. The Bank has External Commercial Borrowings from International Finance Corporation (IFC) but the amount has been classified as Non-Convertible Redeemable Debentures in the Financial Statements of the Bank. The Bank has not issued any Debentures.

Management Response: This was issued by the Holding Company before the Bank was even incorporated and debentures were issued. As per Business Transfer Agreement it was treated as ECB in the books of accounts of the Bank. The nomenclature has not been changed. The amount has been paid off in full in the year ended 2022-23.

13. Mr. Sanjeeb Kr. Mishra was appointed as the Company Secretary of the Bank by way of a circular resolution and subsequently ratified in the Board Meeting, whereas Section 179(3) of the Companies Act mandates the appointment of KMPs in a Board Meeting.

Management Response: Even though he was appointed by a Circular Resolution his appointment was ratified in the next Board meeting held on 30th September 2021 and only after that the various E-forms were filed and Board categorically ratified the error.

14. We further report that during the audit period one specific event occurred which may have a major bearing on the company's affairs is that the Holding Company of the Bank had received income tax demand order from income tax authorities for the Assessment year 2017-18 and the same may be treated as a liability on the part of the subsidiary viz. NESFB under the Business Transfer Agreement dated October 16, 2017. The matter is pending with the Income Tax authorities.

Management Response: The Holding Company of the Bank had received income tax demand order of INR 352 51 Crores 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 demonetization on account of collection from various customers and interest thereon The Holding Company has filed an appeal against order before Commissioner of Income Tax (and is hopeful of favourable decision as the additions are unsustainable)

As per the terms of Business Transfer Agreement executed between the Holding Company and the Bank, in the event of crystallization of this contingent liability, the Bank may have to reimburse the same to the Holding Company However the Board of Directors of the bank has noted in its meeting held on 24 th February 2021 that the Holding Company has not taken the issue seriously which resulted in passing of an ex parte assessment order with huge demand Board of Directors in its meeting held on 24 th February 2021 has also raised this matter as a dispute with Holding Company Any lapse/non compliance of any law by the Holding Company cannot be treated as liability on the part of Subsidiary Company under Business Transfer Agreement Bank has further taken up this matter, that Subsidiary Company disowns this liability, if crystallized and will invoke Clause No 16 of BTA pertaining to arbitration with the Holding Company vide its letter dated 26 03 2022.

21. PARTICULARS OF EMPLOYEES: -

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

22. 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.

23. 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 2021-22.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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, 4 (**Four**) meetings of the Nomination & Remuneration Committee were convened on 26.07.2021, 24.12.2021, 01.02.2022, and 03.03.2022. 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	Dr. GAUTAM BARUA	4	26.07.2021, 24.12.2021, 01.02.2022, 03.03.2022	4
2	DR. RAM KRISHNA GARG	4	26.07.2021, 24.12.2021, 01.02.2022, 03.03.2022	4
3	Mr. TAPAN KUMAR HAZARIKA	4	26.07.2021, 24.12.2021, 01.02.2022, 03.03.2022	4
4	MR AG VARUGHESE	4	26.07.2021, 24.12.2021, 01.02.2022, 03.03.2022	4

29. 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, 5 (**Five**) meetings of the Audit Committee were convened on 15-07-2021, 30-07-2021, 30-11-2021 10-01-2022 and 02-03-2022. 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. T.K Hazarika	5	15-07-2021,30-07-2021,30-11-2021 10-01-2022 and 02-03-2022	5
2	Dr. Gautam Barua	5	15-07-2021,30-07-2021,30-11-2021 10-01-2022 and 02-03-2022	5
3	Adayadiyil George Varughese	5	15-07-2021,30-07-2021,30-11-2021 10-01-2022 and 02-03-2022	5
4	Ms Smriti Chandra	5	15-07-2021,30-07-2021,30-11-2021 10-01-2022 and 02-03-2022	5
5	Dr. R.K Garg	2	15-07-2021,30-07-2021	2
6	Mr. Sistla Prabhakar	2	10-01-2022 and 02-03-2022	2

30. CORPORATE GOVERNANCE

The Company's Philosophy

The Company is committed to achieve high standards of Corporate Governance and the Company's philosophy on Corporate Governance is aimed at supporting the top management to efficiently conduct its business operations and meet its obligations towards various 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 2022 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-INDIA.

Bank has appointed Ms. Rupali Kalita, MD & CEO as "Designated Director". Mr. Rajib Kumar Dutta has been appointed as "Money Laundering Reporting Officer (MLRO)" / "Principle Officer" vide its Board Meeting dated July 30, 2021, 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-INDIA as prescribed. Board has also defined "Senior Management" for the purpose of KYC Compliance.

31. 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 was held on 5th March, 2022. However, the evaluation process for independent directors shall take place during the FY 2022-23.

32. 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. Some 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.

33. 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 July 27, 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 Financial and Digital Literacy Camps, General Health Camps, Animal Health Camps, Distribution of School Note Books (NPA affected areas), Covid -19 relief assistance to State Government, and promoting education through 'Mini Science Centre' project.

Our lives have not been quite the same since the outbreak of the COVID- 19 and like last year, this financial year sprung up new challenges to the people in general and to the Bank in particular. The effervescent promises made by the politicians to lure the public during elections has resulted in destroying the loan repaying culture of the mass. The outcome has been disastrous to the Bank as a whole and so to the planned corporate social responsibility activities for its customers. The situation of Covid-19 crisis eased out only towards the second half of the financial year and thus we could start our social projects and programs with our customers.

Financial and Digital Literacy Training Programs have been one of the major activity that is being implemented across all Branches. Over the years, the main purpose of conducting Financial and Digital Literacy Camps (FDLC) has been to introduce Banks products and services to the customers, build their capacity on financial matters that is related to their everyday life, equip them with some basic technical know-how and for customer grievance redressal. But, this financial year, along with the usual topics, we also had to pacify the slanderous statements made by some individuals with vested interests and politically affiliated persons. The pandemic along with these kind of artificial crisis has affected the Banking business in many folds. The financial crisis has not only effected the customer's financial habits but also have affected them psychologically. In the last quarter of the Financial year, we collaborated with NABARD under the FIF program to conduct FDLCs in the state of Assam. In the last financial year, we have conducted a total of 207 Financial and Digital Literacy Camps benefitting more than 15,000 participants. Out of the 207 FDLCs, 103 FDLCs are in collaboration with NABARD under the FIF supported scheme.

The present education system in the country which is more theoretical in nature is not in sync with the challenges of modern competitive world. A section of people in our society is on the way to postmodern society whereas; about 30 percent people are still illiterate and are lagging behind. The primitive lecture method, especially in primary and high school level is cited as one of the reason for school drop-out as children finds it boring in the class. And more likely or not those children belong from poor family background. Therefore, to make class interesting sufficient teaching aids and modern technological equipment is needed.

The Mini Science Centre (MSC) is an innovative education program aimed at igniting scientific temper among students. The plug and play models support the students in understanding various Science and Math's concepts, so that they are not just 'memorizing' the concepts, but retaining them throughout their lives.

In taking the project ahead, 2 new schools have been identified this financial year, one in Bongaon High School in Belsor and another in North Guwahati Girls High School, North Guwahati.

The initiative to distribute School Note Book at the NPA affected areas of the Branches have been very well received by the students, schools, parents and also by the Branches.

Abiding by the Government restrictions, we managed to conduct 25 General Health Camps with the support of GNRC Hospital and local MBBS Doctors with support staff. In the 25 General Health camps we were able to provide medical support to more than 2125 participants.

To support Assam State Government's effort in handling the coronavirus pandemic, the Bank through its CSR division has donated Rs. 7,98,890 to the State's coffer.

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 tried to target and prioritise the Branches where we have supported Livestock customers and majority of them rear Pigs. 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 64 Branches from 11 Clusters and in 8 Zones. We provided treatment and training to animals of 1358 households.

34. Other Statutory Disclosures:

- a) The Bank has not changed its nature of business during FY2021-22.
- 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 FY2021-22 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 FY2021-22, 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/-

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

SD/-

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

Place: Guwahati
Date: 25.08.2022

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
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Narayan Sharma

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FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2022

*[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" or "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 2022** ('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 2022** according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;





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(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) *The Statutory Auditors were not appointed as per the RBI notification no. RBI/2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021 which requires a prior approval of RBI and appointment for a continuous term of 3 years. However, the RBI has consented to the appointment of Statutory Auditors for one year vide its letter no. CO.DOS.RPD.No.S960 /08-66-005/2021-2022 dated August 24, 2021.*
- 2) *The Bank is yet to frame a policy on appointment of Statutory Auditors as required under the RBI notification no. RBI/2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021.*
- 3) *The Bank has borrowed in excess of the limits prescribed under Section 180(1)(c) without obtaining the prior approval of the shareholders by way of a Special resolution.*





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- 4) The Bank availed a re-finance facility from SIDBI up to the tune of ₹ 300.00 cr. as approved by the Board of Directors in their meeting held on 30th July, 2021. However, no charge form was filed with ROC for creation of charge.
- 5) While going through the index of charge available on the MCA portal, it is noticed that the Bank is yet to file satisfaction of charge for the loan facility availed from Reliance Home Finance Limited ("RHFL") and closed in the year 2017.
- 6) The CSR Report has not been filed in the prescribed format as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as on the date of submission of this Report and also not included in the Annual Report of 2021.
- 7) The Nomination & Remuneration Committee is yet to carry out any evaluation of the Board & its Committees as required under Section 178(2) of the Companies Act, 2013.
- 8) The Internal Complaints Committee did not meet during the reporting period & no report was submitted to the Board and the District Officer which is in violation of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.
- 9) The Bank is yet to comply with the RBI notification on 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.
- 10) The post of Head Treasury (HT) & front office dealer remained vacant in the Bank during the reporting period and the operations were managed by bank staff without having the necessary qualifications as required under RBI circular DBR.No.BP.BC.4/21.03.009/2016-17 dated August 11, 2016.
- 11) The Customer Service Committee of the Bank met only twice during the reporting period against the requirement of meeting on quarterly basis.
- 12) The Bank has External Commercial Borrowings from International Finance Corporation (IFC) but the amount has been classified as Non-Convertible Redeemable Debentures in the Financial Statements of the Bank. The Bank has not issued any Debentures.
- 13) Mr. Sanjeeb Kr. Mishra was appointed as the Company Secretary of the Bank by way of a circular resolution and subsequently ratified in the Board Meeting, whereas Section 179(3) of the Companies Act mandates the appointment of KMPs in a Board Meeting.

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





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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.

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 reporting period M/s RGVN (North East) Microfinance Limited (CIN: U65923AS2008PLC008742), the Holding Company of the Bank has received an income tax demand for the Assessment Year 2017-18. The same may be treated as a liability on the part of the subsidiary viz. NESFB under the Business Transfer Agreement dated October 16, 2017. The matter is pending with the Income Tax authorities and this could have a major bearing on the Company's affairs, if not settled in favour of the assessee.

Place: Guwahati

Date: 23rd May, 2022

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



CS Narayan Sharma
(Proprietor)

FCS No.: 5117 C P No.: 3844

PR: 1563/2021

UDIN: F005117D000370891

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*

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'Annexure A'

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





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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: 23rd May, 2022

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



CS Narayan Sharma
(Proprietor)

FCS No.: 5117 C P No.: 3844

PR: 1563/2021

UDIN: F005117D0000370891



INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Members of North East Small Finance Bank Limited

This Revised Independent Auditors Report is being issued in supersession of our earlier Independent Auditors Report dated 27th May 2022.

The Company revised its Audited Financial Statements approved by the Board of Directors on 30th July 2022. The revision was based on variances either due to typographical errors/computer paste errors observed in the Audited Financial Statements. The revision of the Financial Statements was carried out to remove these typographical errors/paste errors.

In view of the revision of Financial Statements on above observations and as disclosed in note no. 35 Schedule 18 to the revised financial statements, this Revised Independent Auditors Report is being issued on the Revised Financial Statements which includes Balance Sheet as at 31st March 2022, Statement of Profit and Loss, the Cash Flow Statement and a summary of Significant Accounting Policies and other explanatory information. These Annual Accounts were revised and approved by the Board of Directors of the Company on 30th July 2022.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **North East Small Finance Bank Limited** (the "Bank"), which comprise the Balance Sheet as at March 31, 2022, the Profit and Loss Account, the Cash Flow Statement for the year then ended and Notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2014, as amended ("Accounting Standards") as applicable to banks and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, its loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the



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Chartered Accountants

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 made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note Schedule 12 and Note No. 32 Schedule 18 to the Financial Statement which fully describes that 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 during the period of demonetisation on account of collection from various customers and interest thereon. The Holding Company has filed an appeal against the order before Commissioner of Income Tax (Appeals) and is hopeful of a favourable decision, as the additions are unsustainable.

However the Board of Directors of the bank has noted in its meeting held on 24th February 2021 that the Holding Company has not taken the issue seriously which resulted in passing of an ex-parte assessment order with huge demand. Board of Directors in its meeting held on 24th February 2021 has also raised this matter as a dispute with Holding Company stating that 'Any lapse/non-compliance of any law by the Holding Company cannot be treated as liability on the part of Subsidiary Company under Business Transfer Agreement (BTA)'. Bank has further taken up this matter vide its letter dated 26th March 2022, that Subsidiary Company disowns this liability, if crystallized and will invoke Clause No 16 of BTA pertaining to arbitration with the Holding Company.

We also draw attention to the matters in the Note No. 35 Schedule 18 to the revised financial statements wherein it has been stated that due to certain typographical / paste errors, the financial statements have been revised and approved by the Board on 30th July 2022. There is no financial impact on the Financials.

Our opinion is not modified in respect of this matter.

Other Matters

We have restricted our audit procedures on subsequent events solely to the amendments in financial statements as described in note no. 35, schedule 18 of revised financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



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Key Audit Matter	Auditors Response
Identification of Non-Performing Advances and provisioning for Advances (Refer Schedule 9 read with Schedule 18 (Note 3.6 and Note 33) to the financial statements)	
<p>Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has net advances amounting to Rs. 162722.84 Lakhs as at March 31, 2022.</p> <p>Identification of and provisioning for non-performing assets (loans) in accordance with relevant prudential norms issued by the Reserve Bank of India (RBI) in respect of income recognition, asset classification and provisioning pertaining to advances and guidelines relating to COVID-19 Regulatory Package (herein after referred as "Relevant RBI guidelines") is a key audit matter due to level of regulatory and other stakeholders focus.</p> <p>During the year based on the RBI moratorium circulars/ guidelines, Regarding Resolution Framework for Covid-19 related stress vide RBI circular RBI/2020-21/16 DOR No BP.BC/3/21.04.048/2020-21 dated 5th May 2021.</p> <p>The aforesaid involves significant management estimates/ judgments and hence identified as Key Audit Matter (KAM).</p>	<p>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular:</p> <ul style="list-style-type: none"> • We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines regarding income recognition, asset classification and provisioning pertaining to advances; • We have analysed and understood key systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls, including system generated reports and manual process and controls in relation to income recognition, asset classification, viz., standard, substandard, doubtful and loss with reference to relevant RBI guidelines; • We test checked advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, impairment provision for non-performing assets, and compliance with income recognition, asset classification and provisioning pertaining to advances; • We have evaluated the adequacy of the additional provisions as prepared by the Management and checked consistency of various inputs and assumptions used by the Management to determine adequacy of the additional provisions



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Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Directors Report including annexures to the Directors report but does not include the financial statement and our auditors report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and accordingly will 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 during the course of our audit or otherwise appears to be materially misstated.

When we read the Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as applicable under the relevant laws and regulations.

Management and Board of Directors' Responsibilities for the Financial Statements

The Company's Management and Bank's Board of Directors are 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 provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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, management 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the financial reporting process of Bank.

Auditors' Responsibility 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,



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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.

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 financial 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 adequate internal financial controls system 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 the management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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



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relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and 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 Companies Act, 2013 and relevant Rules issued there under.
2. The Report does not include a statement on the matters specified in Paragraph 3 and 4 of the Companies Auditors Report Order 2016 ('The Order') issued by the Central Government of India in terms of section 143 (11) of the Companies Act, 2013. In our opinion and according to information and explanation given to us, the said order is not applicable to the Bank.
3. As required by Section 143(3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our Audit, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
 - b. In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
 - c. As explained in the paragraph 4 below, the financial accounting system of the Bank are Centralised and, therefore, accounting returns are not required to be submitted by branches.
 - d. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
 - e. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - f. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Banks.
 - g. On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.



Baweja & Kaul
Chartered Accountants


- h. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.
 - i. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B (2A) of the Banking Regulation Act, 1949.
4. 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, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Bank has disclosed the impact of pending litigations on its financial position in its 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.
 - iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (b) The Management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Parties or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.



Baweja & Kaul
Chartered Accountants

- v. The Bank has not declared any dividend during the year.
5. We report that during the course of our audit we have visited and performed select relevant procedures at 7 Branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office and Central Processing Units based on the records and data required for the purpose of Audit being made available to us.
6. The financial results for the year ended 31st March 2021 were audited by another firm of Chartered Accountants, MSKA & Associates, on which they had issued a modified opinion vide their report dated 30th July 2021.

For BAWEJA & KAUL
Chartered Accountants
ICAI Registration No.: 005834N


Dalip Kumar Kaul
Partner

Membership No. 083066

UDIN: 22083066#PKUXD2774

Place: Guwahati

Date: 19/08/2022



Baweja & Kaul
Chartered Accountants

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

We have audited the internal financial controls over financial reporting of North East Small Finance Bank Limited (the "Bank") as of March 31, 2022 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 over financial reporting 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". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, 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 adequate internal financial controls over financial reporting 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, 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 system over financial reporting.



Baweja & Kaul
Chartered Accountants

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting 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 over financial reporting 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 authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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 Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

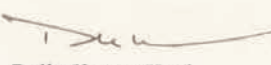
Opinion

In our opinion, to the best of our information and according to the explanations given to us the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the criteria for internal financial control over financial reporting 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.

For BAWEJA & KAUL

Chartered Accountants

ICAI Registration No.: 005834N


Dalip Kumar Kaul

Partner

Membership No. 083066

UDIN: 22083066APKUXB2774



Place: Guwahati

Date: 19/08/2022



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam
BALANCE SHEET AS AT 31ST MARCH 2022 (REVISED)

PARTICULARS	Schedule No.	As at March 31, 2022	(INR in '000) As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	30,76,114	29,33,850
Reserves and Surplus	2	(3,43,584)	7,90,677
Deposits	3	1,52,87,836	1,27,72,308
Borrowings	4	44,48,500	58,49,333
Other Liabilities and Provisions	5	10,51,119	2,37,283
TOTAL		2,35,19,985	2,25,83,451
ASSETS			
Cash and Balance with Reserve Bank of India	6	8,09,310	9,92,094
Balance with Banks and Money at call & short notice	7	19,70,165	10,21,752
Investments	8	27,72,158	31,36,792
Advances	9	1,62,72,284	1,65,46,629
Fixed Assets	10	2,83,079	3,04,795
Other Assets	11	14,12,989	5,81,389
TOTAL		2,35,19,985	2,25,83,451
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

For and on behalf of the Board of Directors

Ketan Kumar Joshi
Chief Financial Officer
M. No. 056916

Sanjeeb Kumar Mishra
Company Secretary
M.No - FCS6291

Rupali Kalita
Managing Director & CEO
DIN : 02114098

Dr Ram Krishna Garg
Chairman
DIN : 02164119

Tapan Kumar Hazarika
Independent Director
DIN : 08088195

Place : Guwahati
Date : July 30, 2022

As per our audit report of even date

For Baweja & Kaul
Chartered Accountants

Firm Registration Number : 005834N

CA Dalip Kumar Kaul
Partner
Membership No - 083066

UDIN- 22083066APKUB2774

Place : GUWAHATI
Date : 19/08, 2022





NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati Assam
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2022 (REVISED)


PARTICULARS	Schedule No.	(INR in '000)	
		For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
I. INCOME			
Interest Earned	13	31,41,593	31,44,135
Other Income	14	1,42,314	1,79,631
TOTAL		32,83,907	33,23,766
II. EXPENDITURE			
Interest Expended	15	12,20,555	13,91,212
Operating Expenses	16	14,20,695	14,19,899
Provisions and Contingencies		18,74,655	4,40,830
TOTAL		45,15,905	32,51,941
III. PROFIT			
Net Profit After Tax		(12,31,998)	71,825
Add: Balance in Profit & Loss Account Brought Forward from Previous Year		4,72,301	4,68,432
TOTAL		(7,59,697)	5,40,257
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		-	17,956
Transfer to Investment Fluctuation Reserve		-	50,000
Balance Carried to Balance Sheet		(7,59,697)	4,72,301
TOTAL		(7,59,697)	5,40,257
EPS (Basic)		(4.20)	0.24
EPS (Diluted)		(4.20)	-

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

For and on behalf of the Board of Directors


Ketan Kumar Jhuhi
Chief Financial Officer
M. No. 056916


Sanjeeb Kumar Mishra
Company Secretary
M No - FCS6291


Rupali Kalita
Managing Director & CEO
DIN : 02114098


Dr. Ram Krishna Garg
Chairman
DIN : 02164119


Tapan Kumar Hazarika
Independent Director
DIN : 08088195

Place : Guwahati
Date : July 30, 2022

As per our audit report of even date
For Baweja & Kaul
Chartered Accountants
Firm Registration Number : 005834N


CA Dalip Kumar Kaul
Partner
Membership No - 083066

UDIN- 22083066APKUXB2774
Place : GUWAHATI
Date : 19/08/2022





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

PARTICULARS	As at March 31, 2022	(INR in '000) As at March 31, 2021
SCHEDULE 1 - Share Capital		
Authorised Share Capital:		
Equity capital:		
700,000,000 equity shares of INR.10 each (500000000 equity shares of INR 10 each)	70,00,000	50,00,000
Non-cumulative Compulsorily Convertible Preference Share Capital (CCPS):		
30,00,00,000 CCPS of INR 10 each	30,00,000	-
	1,00,00,000	50,00,000
Issued, Subscribed and Paid up Capital		
Equity Share Capital- 29,40,96,317 Shares of INR.10 each (29,33,84,995 shares of INR 10 each)	29,40,963	29,33,850
Non-cumulative Compulsorily Convertible Preference Share Capital (CCPS)- 1,35,15,114 shares of INR 10 each (Previous Year-NIL)	1,35,151	-
Total	30,76,114	29,33,850
SCHEDULE 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	1,97,658	1,79,701
Additions during the year	-	17,957
Closing Balance	1,97,658	1,97,658
II. Investment Fluctuation Reserve		
Opening Balance	1,20,719	70,719
Additions during the year	-	50,000
Closing Balance	1,20,719	1,20,719
III. Share premium		
Opening Balance	-	-
Addition during the year	97,736	-
Closing Balance	97,736	-
IV. Balance in Profit and Loss Account brought forward	(7,59,697)	4,72,301
Total (I to III)	(3,43,584)	7,90,678
SCHEDULE 3 - Deposits		
A.I. Demand Deposits		
(i) From Banks	17,012	9,544
(i) From Others	5,96,865	3,60,709
II. Savings Bank Deposits	51,32,311	52,69,046
III. Term Deposits		
(i) From Banks	22,30,224	11,11,729
(ii) From Others	73,11,424	60,21,280
Total (I to III)	1,52,87,836	1,27,72,308
B.I. Deposits of Branches in India	1,52,87,836	1,27,72,308
B.II. Deposits of Branches outside India	-	-
Total (B.I and B.II)	1,52,87,836	1,27,72,308



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

PARTICULARS	(INR in '000)	
	As at March 31, 2022	As at March 31, 2021
SCHEDULE 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institutions and Agencies	44,48,500	51,21,833
iv) Others (Non-Convertible Redeemable Debentures)	-	7,27,500
Total	44,48,500	58,49,333
II. Borrowings outside India	-	-
Total (I and II)	44,48,500	58,49,333
Secured Borrowings included in I and II above	42,06,000	51,21,833
SCHEDULE 5 - Other Liabilities and Provisions		
I. Interest Accrued	1,16,603	40,151
II. Provision for Standard Assets*	5,71,929	61,595
III. Provision for taxation (net of advance tax)	-	-
IV. Adhoc Provision against loans**	-	23,391
V. Floating Provision against loans	1,50,000	-
VI. Others (Including Provisions other than Loans & Advances and share application money)	2,12,587	1,12,146
Total (I to III)	10,51,119	2,37,283
*Provision on standard assets include INR 4,91,539 thousands towards Covid 2-0 restructured advances. (Previous year NIL).		
**As per RBI circular dated 5th may 2021 bank has utilised INR 23,391 thousands against slippage as on 31st March 2022 and basis approval given by Board		
SCHEDULE 6 - Cash and Balance with Reserve Bank of India		
I. Cash in hand	1,42,697	1,79,326
II. Balances with Reserve Bank of India		
i) In Current Accounts	6,66,613	8,12,768
ii) In Other Accounts	-	-
Total (I and II)	8,09,310	9,92,094
SCHEDULE 7 : Balances with Banks and Money at Call and Short Notice		
In India		
I Balances with banks		
i) In Current Accounts	3,70,165	2,41,644
ii) In Other Deposit Accounts	11,00,000	5,22,000
II) Term Money/Money at call and short notice		
i) With banks	5,00,000	-
i) With other Institutions	-	2,58,108
Total	19,70,165	10,21,752
* Include fixed deposit of NIL (Previous year INR 30,108) held under lien		
II. Outside India	-	-
Total (II)	-	-
Total (I and II)	19,70,165	10,21,752



Sanjay W



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

PARTICULARS	As at March 31, 2022	(INR in '000) As at March 31, 2021
SCHEDULE 8 - Investments		
I. Investments in India		
i) Government Securities	27,72,158	31,36,792
ii) Others (Investment in Mutual Funds)	-	-
Total (I)	27,72,158	31,36,792
II. Investments Outside India	-	-
Total (II)	-	-
Total (I and II)	27,72,158	31,36,792
Gross Investments	27,72,158	31,36,792
Less : Provision for Investments	-	-
Net Investments	27,72,158	31,36,792
SCHEDULE 9 - Advances		
A. i) Cash Credits, Overdrafts and Loans repayable on demand	6,88,445	1,38,040
ii) Term Loans	1,55,83,839	1,64,08,589
Total	1,62,72,284	1,65,46,629
B. i) Secured by Tangible Assets	59,49,236	35,54,200
ii) Covered by Banks/Government Guarantees	-	-
iii) Unsecured	1,03,23,048	1,29,92,428
Total	1,62,72,284	1,65,46,628
C.I. Advances in India		
i) Priority Sectors	1,47,43,739	1,60,70,225
ii) Public Sectors		
iii) Banks		
ii) Others	15,28,545	4,76,404
Total C.I	1,62,72,284	1,65,46,629
C.II. Advances outside India	-	-
Total C.II	-	-
Total C (I and II)	1,62,72,284	1,65,46,629
SCHEDULE 10 - Fixed Assets		
I. Owned Assets :		
a) Premises	-	-
b) Fixed Assets (Including Furnitures and Fixtures)		
At the beginning of the year	5,20,464	4,15,443
Additions during the year	89,304	1,06,545
Deductions during the year	5,278	1,524
Total (I)	6,04,491	5,20,464
II) Depreciation		
At the beginning of the year	2,15,669	1,31,033
Charge for the year	1,06,644	84,940
Deductions during the year	901	304
Total (II)	3,21,412	2,15,669
Net Block (I - II)	2,83,079	3,04,795
Total	2,83,079	3,04,795



Louise W



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

PARTICULARS	(INR in '000)	
	As at March 31, 2022	As at March 31, 2021
SCHEDULE 11 - Other Assets		
i. Interest Accrued	10,85,396	3,48,419
ii. Tax paid in advance (net of provision for tax)	1,55,624	53,232
iii. Deferred Tax Assets	16,279	24,715
iv. Others	1,55,690	1,55,023
Total	14,12,989	5,81,389
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 constitutently liable.	-	-
Total	-	-

Note: Also refer Note no 32 of Schedule 18



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

PARTICULARS	For the Year Ended March 31, 2022	(INR in '000) For the Year Ended March 31, 2021
SCHEDULE 13 - Interest Earned		
I. Interest on Advances	28,97,057	28,15,767
II. Income on Investments	1,86,304	2,14,316
III. Interest on Balances with RBI and Other Inter-Bank Funds	58,228	1,06,606
IV. Other interest Income	4	7,446
Total (I to IV)	31,41,593	31,44,135
SCHEDULE 14 - Other Income		
I. Commission, Exchange & Brokerage	1,23,721	1,39,247
II. Profit on sale of Investments	16,659	
Less: Loss on Sale of Investments	(49,716)	(33,057)
III. Profit on sale of land, buildings and other assets	(297)	-
IV. Miscellaneous Income*	51,947	52,432
Total (I to IV)	1,42,314	1,79,631
* Miscellaneous Income include INR 20,000 thousands from sale of PSLC of INR 10,00,000 thousands (Previous Year INR 38,250 thousands from sale of INR 25,00,000 thousands)		
SCHEDULE 15 - Interest Expended		
I. Interest on Deposits	7,91,397	7,30,651
II. Interest on all other borrowings	4,29,158	6,60,561
Total (I to II)	12,20,555	13,91,212
SCHEDULE 16 - Operating Expenses		
I. Payments and Provisions for Employees	7,89,114	8,54,422
II. Rent, Taxes and Lighting	95,359	86,627
III. Printing and Stationery	12,677	15,464
IV. Advertisement and Publicity	8,816	13,335
V. Depreciation on Bank's property	1,06,644	84,940
VI. Director's Fees's, Allowances & Expenses	4,489	2,580
VII. Auditors fees and expenses	3,611	5,040
VIII. Law Charges	150	-
IX. Postage, Telegrams, Telephones, etc.	6,514	4,831
X. Repairs and Maintenance	47,766	44,459
XI. Insurance	17,338	10,708
XII. Other expenditure	1,56,649	1,57,715
XIII. IT Cost (FIS)	1,71,568	1,39,778
Total (I to XIII)	14,20,695	14,19,899



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NORTH EAST SMALL FINANCE BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2022 (REVISED)

PARTICULARS	For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
		₹ in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	(12,09,058)	1,15,835
Adjustment For:		
(Profit)/Loss on sale of Fixed Assets	297	133
Fair value gain on SG securities	4,472	20,989
Contingent Provisions for Standard Assets	5,10,334	(72,662)
Adhoc Provision against NPA	1,26,609	(1,98,506)
Depreciation & Amortisation	1,06,644	84,940
Provision for Non Performing / Bad Assets	12,14,772	6,67,988
Operating Profit before Working Capital Changes	7,54,070	6,18,717
Adjustments for:		
Decrease/(Increase) in Other Assets	(7,54,835)	70,531
Decrease/(Increase) in Term Deposits with other Banks	(3,70,893)	5,38,982
Increase/(Decrease) in Other liabilities and Provisions	1,76,893	(1,10,740)
Decrease/(Increase) in Advances	(9,40,426)	(37,31,801)
Decrease/(Increase) in Investments	3,60,162	3,73,744
Increase/(Decrease) in Deposits	25,15,528	38,70,910
Cash generated from / (used) in Operations:	9,86,428	10,11,625
Taxes Paid	(1,00,000)	(82,500)
Net Cash Flow from / (used) in Operating Activities	(A) 16,40,498	15,47,841
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(89,304)	(1,06,545)
Sale of Fixed Assets	4,377	1,087
Net Cash Flow used in Investing Activities	(B) (84,927)	(1,05,458)
Borrowings		
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from fresh capital	2,40,000	-
Proceeds from Borrowings	(14,00,833)	(16,50,541)
Net Cash Flow from / (Used in) Financing Activities	(C) (11,60,833)	(16,50,541)
Net Increase / (Decrease) in Cash or Cash Equivalents (A+B+C)	3,94,737	(2,08,158)
Opening Cash and Cash Equivalents	15,83,738	17,91,897
Cash and Cash Equivalents at the end of the year	19,78,475	15,83,738
Break up cash and cash equivalent		
Cash and Balance with RBI	8,09,310	9,92,094
Balance in current account with other banks	3,70,165	2,41,644
Deposits	2,99,000	1,00,000
Money at Call & Short Notice	5,00,000	2,50,000
Total Cash & Cash Equivalent	19,78,475	15,83,738



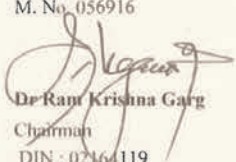
Baweja & Kaul
Chartered Accountants


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. Figures in bracket indicate cash outflow.

For and on behalf of the Board of Directors


Ketan Kumar Joshi
 Chief Financial Officer
 M. No. 056916


Dr. Ram Krishna Garg
 Chairman
 DIN : 02164119



Sanjeeb Kumar Mishra
 Company Secretary
 M.No - FCS6291


Tapan Kumar Hazarika
 Independent Director
 DIN : 08088195


Rupali Kalita
 Managing Director & CEO
 DIN : 02114098

Place : Guwahati
Date : July 30, 2022

As per our audit report of even date
For Baweja & Kaul
 Chartered Accountants
 Firm Registration Number : 005834N


CA Dalip Kumar Kaul
 Partner
 Membership No - 083066



UDIN- 22083066#PKUXB2774
Place : GUWAHATI
Date : 19/08/2022



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 and commission collected on loans disbursed, along with related loan acquisition cost are recognised upfront at Inception of loan. However any processing fees collected at the time of restructuring as a result of renegotiations or rescheduling of outstanding dates are recognised on accrual basis over the period of time covered by the renegotiated or rescheduled extension of credit.

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.

Commission on sale of insurance products are recognised on accrual basis on sale of number of policies of respective insurance companies.

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:

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

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

Classification of Investments

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



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

Acquisition cost

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

Transfer Between Categories

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

Valuation of Investments

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

Disposal of Investment

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

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

6. Loans/Advances and Provision thereon

Classification:

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

Provision:

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

Apart from the general provision made on standard assets as above, the Bank is also maintaining additional 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.

Floating Provision:

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is approved by the Board of Directors in accordance with the RBI guidelines. Floating provisions are used only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per Board approval and regulatory approval. Floating provisions, if any, are shown under "Other liabilities and Provisions" (Schedule 5).



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NORTH EAST SMALL FINANCE BANK LIMITED
 Guwahati, Assam

Schedule 17- Significant Accounting Policies

7 Fixed Assets (Tangible and Intangible)

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

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

7.3 Receipt of any Grant / Subsidy either from NABARD / SIDBI / other FIs shall be adjusted in the cost of Fixed Assets for which such Grant / Subsidy has been received.

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

8. Depreciation & Amortization

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

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

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

9. Employee Benefits

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

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

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.



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 17- Significant Accounting Policies

11. Cash and Cash equivalent

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

12. Segment Reporting

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

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

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

Unallocated Revenue consists of loss on sale of assets, unallocated expenses includes depreciation, directors' sitting fees & remuneration, audit fees etc

Unallocated Liabilities consists of outstanding expenses like rent, advertisement and the taxes payable etc. while unallocated assets include balances with RBI, Fixed assets, input tax credits etc

13. Earnings per share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

14. Provisions and contingent assets/liabilities

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

A disclosure of contingent liability is made when there is:

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

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

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

15. Leases

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

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

16. Investment Fluctuation Reserve

In accordance with RBI Guidelines, banks are required to create a minimum Investment Fluctuation Reserve (IFR) equivalent to 5% of Total Investment Portfolio, within a period of five years from its commencement.

17. Statutory Reserve

Pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000, the Bank is required to appropriate 25% of profit after tax for the year to the statutory reserve.

18. Share Issue Expenses

The bank shall consider the share issue expenses as "Preliminary Expenses" and shall amortise over a period of five years.



Signature



NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 18 - Notes to Financial Statement

₹ in '000

1. Capital :

1.1 Capital Infusion

During the year Bank has raised an amount of INR 1,42,264 thousands (Previous Year: NIL) as capital funds as under at a premium of INR 97,736 thousands

Name of Investor	Number of Equity Shares	Number of CCPS	Respective Consideration
Dia Vikas Capital Private Limited	2,96,384	5631298	9,99,99,995.34
North Eastern Development Finance Corporation Limited	2,96,384	5631298	9,99,99,995.34
Matterhorn Projects LLP	1,18,554	2252518	3,99,99,984.64
Total	7,11,322	1,35,15,114	23,99,99,975.32

The equity shares and CCPS at a face value of INR 10 per share have been issued at a premium of INR 6.87 per share aggregating to total share price of INR 16.87 per share

1.2 Terms of CCPS

(a) **Voting-** The CCPS holders shall have the voting rights, as prescribed under the Companies Act 2013 and other relevant laws as applicable from time to time.

(b) **Dividend-** The Investors shall be entitled to receive on their respective CCPS non-cumulative dividend in preference to any dividend on Equity Shares at the rate of 0.000001% per annum, until converted into Equity Shares. The amount being insignificant for the period ended 31st March 2022, has no impact on profit/loss.

(c) Conversion of CCPS-

(i) The CCPS shall be mandatorily and fully convertible into Equity Shares ("Conversion Shares") after the Closing Date as per the net worth thresholds set out below. The CCPS shall be converted based on audited financial statements as of 31 March 2023. The Company will be valued at a ceiling pre-money valuation of INR 495,00,00,000 (Indian Rupees Four Hundred and Ninety-Five Crores) calculated as 1.65x (one point six five times) the Company's pre money net worth as of 31 March 2023, provided the pre money net worth is INR 300,00,00,000 (Indian Rupees Three Hundred Crores) or higher.

(ii) If the Company's pre money net worth as per the audited financial statements as of 31 March 2023 is below INR 300,00,00,000 (Indian Rupees Three Hundred Crores), the pre money valuation will be calculated as 1.65x (one point six five times) the pre money net worth of the Company as on 31 March 2023, subject to a pre money net worth floor of INR 182 crore (Rupees One Hundred and Eighty Two Crore). This implies that the pre money valuation of the Company cannot be below INR 300.30 crore (Rupees Three Hundred Crore Thirty Lakh only).

(iii) Save as otherwise provided under Applicable Law, the conversion of CCPS into the Conversion Shares shall take place without any additional payment to the Company in accordance with the conversion ratios determined in accordance with the conversion ratio.

(iv) The Conversion Shares issued and allotted shall be fully paid and free of Encumbrances and shall rank pari passu in all respects with the Equity Shares of the Company.

(d) **Restrictions on Transfer-** The CCPS and the Conversion Shares shall be subject to the Transfer restrictions as set forth under the Transaction Documents.

1.3 Capital Adequacy Ratio

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

Under Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 6, 2016, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the MTC, at least 7.5% shall be from Tier 1 Capital of which common equity Tier 1 capital shall be 6% and 1.50% from additional Tier 1 capital and remaining shall be from Tier 2 Capital. Further as per RBI's directions given in the circular DBR.NBD No 4502/16 13 218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios. The capital adequacy ratio of the Bank is set out below:

Particulars	As at March 31, 2022	As at March 31, 2021
i) Common Equity Tier I Capital (CET I)	25,61,444	35,29,331
ii) Additional Tier I Capital	-	-
(ii) Additional Tier I Capital (%)	-	-
iii) Tier 1 capital (i + ii)	25,61,444	35,29,331
iv) Tier 2 capital	3,32,929	1,82,313
v) Total capital (Tier 1 + Tier 2)	28,94,374	37,11,644
vi) Total Risk Weighted Assets (RWAs)	1,69,76,858	1,74,89,745
vii) CET I Ratio (CET I ratio as a percentage of RWAs)	15.09%	20.18%
viii) Tier 1 Ratio (Tier 1 Capital as a percentage of RWAs)	15.09%	20.18%
ix) Tier 2 Ratio (Tier 2 Capital as a percentage of RWAs)	1.96%	0.0104
x) Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as percentage of RWAs)	17.05%	21.22%
xi) Leverage Ratio	10.91%	15.68%
xii) Percentage of the shareholding of		
a) Government of India	0.00%	0.00%
b) State Government	-	-
c) Sponsor Bank	-	-
xiii) Amount of paid up equity capital raised during the year	2,40,000	-
xiv) Amount of non-equity Tier 1 capital raised during the year	-	-
xv) Amount of Tier 2 capital raised during the year	-	-



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 18 - Notes to Financial Statement

2. Investments

₹ in '000

2.1 Details of Investments

Particulars	As at March 31, 2022	As at March 31, 2021
1. Value of Investments		
(i) Gross Value of Investments		
(a) In India	27,72,158	31,36,792
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	27,72,158	31,36,792
(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, 2022			As at March 31, 2021		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	15,37,766	4,38,654	-	12,93,025	10,28,650	-
ii) Other approved securities	7,95,738	-	-	8,15,117	-	-
iii) Shares	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-
v) Mutual Funds	-	-	-	-	-	-
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, 2022
Securities sold under repos				
i. Government securities	10,307	3,43,019	53,349	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	10,002	19,50,024	28,091	5,00,000
ii. Corporate debt securities	-	-	-	-

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the period	Outstanding as on March 31, 2021
Securities sold under repos				
i. Government securities	NIL	NIL	NIL	NIL
ii. Corporate debt securities	NIL	NIL	NIL	NIL
Securities purchased under reverse repos				
i. Government securities	NIL	NIL	NIL	NIL
ii. Corporate debt securities	NIL	NIL	NIL	NIL

2.4 Non-SLR Investment Portfolio:

(i) Issuer Composition of Non SLR Investments as on 31 03 2022

SLN o	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



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 18 - Notes to Financial Statement

₹ in '000

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
I	Others	NIL	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, 2022 (Previous year : NIL.)

2.5 During the period ended March 31, 2022 and March 31, 2021 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, 2022 (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, 2022 (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, 2022 (Previous Year : NIL.)

3. Asset Quality

3.1 Non- Performing Assets

Particulars	March 31, 2022	March 31, 2021
(i) Net NPAs to Net Advances (%)	3.56%	6.81%
Movement of Gross NPAs		
(a) Opening Balance	19,16,624	2,62,850
(b) Additions (Fresh NPAs) during the year	9,74,369	17,00,752
Sub-total (A)	28,90,993	19,63,603
(c) Reductions during the period:		
(i) Up-gradations	1,494	16,074
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,84,179	30,904
(iii) Technical/ Prudential Write-offs	8,06,088	-
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)	9,91,761	46,979
Closing Balance (A-B)	18,99,232	19,16,624

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, 2022	March 31, 2021
Movement of Net NPAs		
(a) Opening balance	11,24,510	1,62,114
(b) Additions during the period	4,18,210	9,62,395
(c) Reductions during the year period (Write Off)	9,68,370	-
(d) Closing balance	5,74,350	11,24,510
Movement of provision for NPAs (excluding provision for standard assets)		
(a) Opening balance	7,92,114	1,00,736
(b) Provisions made during the period	13,64,772	6,91,379
(c) Provision on Technical written off account including other write back	8,32,004	-
(d) Closing balance	13,24,882	7,92,114

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, 2022 (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, 2022 (Previous Year : NIL.)



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

Schedule 18 - Notes to Financial Statement
3.4. Provision for standard assets

₹ in '000

Bank has followed the prudential norms on income recognition, asset classification and provisions.

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, 2022	March 31, 2021
The amount of provision held on standard assets*	82,004	61,595

* Includes accelerated provision on SMA-0 @2.5%, SMA-1 @5% and SMA-2 @7.5% in place of RBI Norms of 0-40% w.e.f 1st April 2021 basis Board approved policy.

3.5. Divergence in Asset Classification and Provisioning for NPAs

RBI vide its circular No RBI/2016-17/283 DBR BP BC No 63/21 04 018/2016-17 dated April 18, 2017 and notification dated 1st April 2019, has directed that banks shall make suitable disclosures, if either or both of the conditions are satisfied -

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

Divergence as observed by RBI during last two financial years is given as under:

Sl No.	RBI AFI 2021 Particulars	(INR in '000) Amount
1	Gross NPAs as on March 31, 2021 as reported by the bank	19,16,624
2	Gross NPAs as on March 31, 2021 as assessed by RBI	19,16,624
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as on March 31, 2021 as reported by the bank	14,24,510
5	Net NPAs as on March 31, 2021 as assessed by RBI	8,25,410
6	Divergence in Net NPAs (5-4)	-3,99,100
7	Provision for NPAs as on March 31, 2021 as reported by the bank	7,92,114
8	Provision for NPAs as on March 31, 2021 as assessed by RBI	10,91,214
9	Divergence in Provisioning (8-7)	2,99,100
10	Reported Net Profit after Tax (PAT) for the year ended	71,825
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2021 after taking into account the divergence in provisioning	-2,27,274

Sl No.	RBI AFI 2020 Particulars	(INR in '000) 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	For the year ended March 31, 2020	1,25,891
11	For the year ended March 31, 2020 after taking into account the divergence in provisioning	82,069

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. However under Covid 2.0 stress resolution vide RBI circular RBI/2020-21/16 DOR No BP BC/3/21 04.048/2020-21 dt 5th May 2021 bank has restructured 3,18,389 accounts aggregating to INR 87,76,847 thousands. Accordingly bank has created an overall provision of 10% for these accounts amounting to INR 8,77,685 thousands. During current year bank has recovered an amount of INR 20,79,124 thousands and written back the provision to the extent of INR 2,33,533 thousands, as the recovery in these accounts are more than 20%.

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of 30th September 2021 (A)	Of (A), aggregate debt that slipped into NPA during the year	Of (A) amount written off during the year	Of (A) amount paid by the borrowers during the year	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of this year
Personal Loans / Individual Loans	87,76,847	6,16,513	NIL	20,79,123	60,60,367
Corporate persons	NIL	NIL	NIL	NIL	NIL
Of which MSMEs	NIL	NIL	NIL	NIL	NIL
Others	NIL	NIL	NIL	NIL	NIL
Total	87,76,847	6,16,513	-	20,79,123	60,60,367

Note: Bank has not collected any processing fees on restructured loans under Covid 2.0



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3.7. Particulars of Accounts Restructured

Disclosure on accounts subjected to Restructuring for the year ended March 31, 2022
 During the year, Bank has not restructured any advances other than those stated in Para 3.6

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

Sr No.	Type of Restructuring		Under CDR Mechanism	Under SME debt restructuring mechanism	Others			Total		
					Standard	NPA Provision	Total Provision	Standard	NPA Provision	Total Provision
1	Restructured Accounts as on April 1, 2020 of the FY (opening figures)	No. of	-	-	-	42,801	42,801	-	42,801	42,801
		Amount	-	-	-	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	-	-	-	-	-	-	-	-
		Amount	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	No. of	-	-	-	588	588	-	588	588
		Amount	-	-	-	(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	-	-	-	-	-	-	-	-
		Amount	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of	-	-	-	18,405	18,405	-	18,405	18,405
		Amount	-	-	-	(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	-	-	-	20,085	20,085	-	20,085	20,085
		Amount	-	-	-	(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	-	-	-	3,723	3,723	-	3,723	3,723
		Amount	-	-	-	(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	-	-	-	-	-	-	-	-
		Amount	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-



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4. Business Ratios

Particulars	March 31, 2022	March 31, 2021
Interest income as a percentage of working funds	14.03%	13.85%
Non interest income as a percentage of working funds	0.64%	0.79%
Operating profit as a percentage of working funds	2.87%	2.26%
Return on assets (average)	-5.50%	0.32%
Business (deposit plus advance) per employee (Rs in '000)	14,345	11,745
Profit per employee (Rs in '000)	-540	35

Note:

- 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)

5. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2022:

Sl. no.	Maturity buckets	Loans & advances	Investments	Deposits	Borrowings
1	1 day	31,897	7,76,338	96,949	NIL
2	2 days to 7 days	1,93,631	23,645	2,01,961	NIL
3	8 days to 14 days	2,24,782	32,647	2,15,916	NIL
4	15 days to 30 days	5,35,527	5,59,928	5,08,930	52,500
5	31 days to 3 month	18,59,399	1,88,099	15,89,854	9,92,500
6	Over 3 month & upto 6 month	31,40,827	3,07,838	15,02,908	58,500
7	Over 6 month & upto 1 year	44,41,638	2,50,208	31,80,571	12,17,500
8	Over 1 year & upto 3 years	48,90,459	6,23,465	79,17,824	20,20,000
9	Over 3 years & upto 5 years	9,11,734	7,698	52,774	1,07,500
10	Over 5 years	42,390	2,292	20,149	-
		1,62,72,284	27,72,158	1,52,87,836	44,48,500

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	NIL
2	2 days to 7 days	36,662	29,503	2,24,184	NIL
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	NIL
		1,65,46,628	31,36,792	1,27,72,308	58,49,333

- The maturity of 'Loans & Advances' has been determined on the basis of ultimate maturity date of the loans for FY 2020-21 and on the basis of monthly installments due for FY 2021-22.
- The bank has classified the maturity pattern of the term deposits as per residual maturity and that of Savings and Current Deposits as per RBI benchmark guidelines.
- The bucketing is made as per the guidelines issued by Reserve Bank of India as well as ALM policy of the Bank.
- The Bank has no foreign currency assets & liabilities as on March 31, 2022.

6. Exposure

6.1. Exposure to Real Estate Sector:

Particulars	March 31, 2022	March 31, 2021
a) Direct exposure	Nil	Nil
i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	2,844	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	Nil	Nil
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
- Residential	Nil	Nil
- Commercial Real Estate	Nil	Nil
Total (A)	2,844	1,000
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
	Nil	Nil
Total (B)		
Total (A+B)	2,844	1,000



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6.2. Exposure to Capital Market

Particulars	March 31, 2022	March 31, 2021
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),	Nil	Nil
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;	Nil	Nil
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;	Nil	Nil
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;	Nil	Nil
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil
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;	Nil	Nil
vii. Bridge loans to companies against expected equity flows / issues;	Nil	Nil
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;	Nil	Nil
ix. Financing to stockbrokers for margin trading;	Nil	Nil
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)	Nil	Nil
xi. Others (Financial Guarantees)	Nil	Nil
Total Exposure to Capital Market	Nil	Nil

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, 2022 (Previous Year : NIL)

Risk Category	Exposure (net) as at March 31, 2022	Provision held as at March 31, 2021	Exposure (net) as at March 31, 2022	Provision held as at March 31, 2021
Insignificant	Nil	Nil	Nil	Nil
Low	Nil	Nil	Nil	Nil
Moderate	Nil	Nil	Nil	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil

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

During the year ended March 31, 2022, Single Borrower Limit (SBL)/Group Borrower Limit (GBL) to State Bank of India Group exceeded the limits from 12.10.2021 to 25.10.2021 due to Fixed Deposits by Treasury amounting to Rs. 80.04 Crore and Mutual Fund Investment of Rs. 35 Crore with SBI Mutual Fund. This was a solitary instance of parking of excess liquidity for a short period of time and was subsequently ratified by ALCO & Risk Management Committee of Board.

6.5. Unsecured Advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances as at March 31, 2022 of ₹ 1,03,23,048 ('000) (March 31, 2021 of ₹ 1,29,92,428 ('000)) disclosed in Schedule 9B(iii) are without any collateral or any other security.

6.6. Details of factoring exposure

There is no factoring exposure of the Bank as at March 31, 2022 (Previous Year : NIL).

6.7. Disclosure of penalties imposed by RBI

During the year ended March 31, 2022, 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, 2022	March 31, 2021
Provision towards Non Performing Assets	12,14,772	6,67,988
Provision towards Standard Assets**	5,10,334	(72,662)
Floating provision against advances**	1,50,000	-
Utilisation of Adhoc Provision against advances***	(23,391)	(1,98,506)
Provision made towards income tax****	14,504	20,329
Deferred Tax asset	8,436	23,681
Provision for Risk, Insurance & Welfare	Nil	Nil
Total	18,74,655	4,40,830


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*Provision on standard assets include INR 4,91,539 thousands towards Covid 2-0 restructured advances. (Previous year NIL).

**Bank has created an additional Floating Provision to the tune of INR 1,50,000 thousands during FY 2021-22 basis Board approval.

***Bank has utilised INR 23,391 thousands of Adhoc Provision outstanding as at 31st March 2021 against fresh slippages in line with RBI circular dated 5th may 2021.

****In view of losses, Bank has not created Income Tax Provision for FY 2021-22. The amount of INR 14,504 thousands has been paid as Income Tax for FY 2020-21 in response to demand raised by Income Tax Department.

8.1 Adhoc Provision:

Particulars	March 31, 2022	March 31, 2021
a) Opening Balance in the Adhoc Provision account	23,391	64,600
b) The quantum of Adhoc provisions made during the current year	-	81,951
c) Amount of drawdown made during the current year	23,391	1,23,161
d) Closing balance in the Adhoc provisions account	-	23,391

8.2 Floating Provision:

Particulars	March 31, 2022	March 31, 2021
a) Opening Balance in the Floating Provision account	-	-
b) The quantum of floating provisions made during the current year	1,50,000	-
c) Amount of drawdown made during the current year	-	-
d) Closing balance in the Floating provisions account	1,50,000	-

9. Drawdown from Reserves

The Bank has not drawdown from reserves during the year ended March 31, 2022 (Previous year: NIL.)

9.1 Investment Fluctuation Reserve

During the year ended March 31, 2022 the bank has not made any appropriation to the investment fluctuation reserve from the Profit and Loss Account due to losses. However, the balance in IFR covers 2% of AFS as well as HFT investment of the Bank in line with RBI circular RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018.

9.2 Statutory Reserve

The Bank has not made any appropriation out of profits for the year ended March 31, 2022 to the statutory reserve due to losses pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

10. Disclosure of Complaints

a) Customer Complaints

Particulars	March 31, 2022	March 31, 2021
1) Number of complaints pending at beginning of the year	1	8
2) Number of complaints received during the year	231	471
3) Number of complaints disposed during the year	229	478
3.1) Of which, number of complaints rejected by the bank	NIL	NIL
4) Number of complaints pending at the end of the year	3	1

b) Awards passed by the Banking Ombudsman:

Particulars	March 31, 2022	March 31, 2021
a) No. of unimplemented Awards at the beginning of the year	NIL	NIL
b) No. of Awards passed by the Banking Ombudsman during the year	NIL	NIL
c) No. of Awards implemented during the year	NIL	NIL
d) No. of unimplemented Awards at the end of the year	NIL	NIL

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

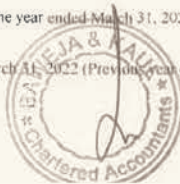
Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	No of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
CURRENT YEAR: 31st March'2022					
ATM/Debit Cards	0	104	0.95% decrease	3	0
Internet/Mobile/Electronic	0	58	49.12 % decrease	0	0
Account opening/difficulty in	0	0	100% decrease	0	0
Loans and advances	0	17	63.83% decrease	0	0
Staff Behaviour	0	6	62.5% decrease	0	0
Others	1	46	50% decrease	0	0
Total	1	231	50.75% decrease	3	0
PREVIOUS YEAR: 31st March'2021					
ATM/Debit Cards	1	105	328 % increase	0	0
Internet/Mobile/Electronic	1	114	278 % increase	0	0
Account opening/difficulty in	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

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, 2022 (Previous Year: NIL.)

12 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) of the Bank is 79.38% as on March 31, 2022 (Previous year: 43.69%).



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13. Bancassurance Business

The Bank has commenced Bancassurance Business during the FY 2021-22. The details are as below -

S.No	Name of the Insurance Company	March 31, 2022			March 31, 2021		
		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	1923	36,268	3,156	3329	68,468	9,624
2	Bajaj Alliance General Insurance Company Limited	109643	50,910	7,342	198497	75,826	13,731
3	HDFC Life Insurance	1165	1,28,174	8,309	668	69,737	6,118
4	SBI General Insurance Company Limited	25	358	27	7	68	5
5	POS COMMISSION (ATOM TECHNOLOGIES)	-	-	-	-	-	22
6	BILL, DESK & OTHERS	-	-	-	-	-	28
	Total	1,12,756.00	2,15,709	18,834	2,02,501	2,14,099	29,527

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

Particulars	March 31, 2022	March 31, 2021
Total deposits of twenty largest depositors	57,54,921	45,52,730
Total Deposits	1,52,87,836	1,27,72,308
Percentage of deposits of twenty largest depositors to total deposits of the Bank	38%	36%

14.2. Concentration of Advances:

Particulars	March 31, 2022	March 31, 2021
Total advances to twenty largest customers	6,04,316	1,21,564
Total Advances	1,74,46,716	1,65,46,629
Percentage of Advances of twenty largest borrowers to total advances of the Bank	3.46%	0.73%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR No Dir BC 12/13 03/00/2015-16 dated July 1, 2015.

14.3. Concentration of exposures:

Particulars	March 31, 2022	March 31, 2021
Total exposure to twenty largest borrowers/customers	83,038	89,372
Percentage of exposures of twenty largest customers to total exposure of the Bank on borrowers/ customers	0.48%	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 NPAs:

Particulars	March 31, 2022	March 31, 2021
Total Exposure to top four NPA accounts	1,108	644

15. Sector-wise Advances

Sector	As at March 31, 2022			As at March 31, 2021		
	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	48,95,985	8,18,253	16.71%	58,98,211	8,19,201	13.89%
2. Advances to Industries Sector eligible as PSL	19,31,345	98,126	5.08%	14,39,029	78,322	5.44%
3. Services	70,17,617	9,33,292	13.30%	81,19,804	9,70,933	11.96%
4. Personal Loans and others	20,72,887	47,489	2.29%	13,81,771	47,630	3.45%
Sub-Total (A)	1,59,17,835	18,97,160	11.92%	1,68,38,814	19,16,086	11.38%
B. Non Priority Sector						
1. Agricultural and Allied Activities	-	-	-	-	-	-
2. Industry	-	-	-	-	-	-
3. Services	-	-	-	-	-	-
4. Personal loans and others	15,29,331	2,072	0.14%	4,76,538	538	0.11%
Sub-Total (B)	15,29,331	2,072	0.14%	4,76,538	538	0.11%
Total	1,74,47,166	18,99,232	10.89%	1,73,15,352	19,16,624	11.07%

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

16. Technical or Prudential Write Offs

Particulars	March 31, 2022	March 31, 2021
Opening Balance of Technical /Prudential written off accounts as at Apr 1	80,270	81,321
Add: Technical/ Prudential write offs during the year	8,08,613	-
Sub Total (A)	8,88,883	81,321
Less: Recoveries made from previously technical/ prudential written off accounts during the year (B)	3,003	1,051
Closing Balance as at March 31 (A-B)	8,85,880	80,270



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17. Overseas Assets, NPAs and Revenue:

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

18. Off Balance Sheet SPVs sponsored

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

19. Disclosure on Remuneration

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee.

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

Mandate (Roles and Responsibilities) :

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

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

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

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

The Management team has the discretion to revise the compensation & benefits structure and entitlements of the employees from time to time. Compensation is considered confidential and employees are expected to not share, discuss or disclose any information pertaining to the same.

The Bank's compensation principles are as follows:

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

Compensation Structure :

Basic Salary:

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

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

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

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

Category	Components	Description
Basic Pay (monthly)	Basic Pay	40% of the CTC
	House Rent Allowance	Maximum upto 40% of Basic Pay
	Conveyance Allowance	As applicable
	Telephone & Data Allowance	
	Special Allowance	This would be the adjusting component of CTC basis the compensation structure (Special allowances could additionally be a part of this component)
Retirement/Statutory Benefits	Provident Fund (PF)	
	Gratuity	As mandated by Law
	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.





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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.

Nil

B. Quantitative Disclosure

Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	March 31, 2022	March 31, 2021
g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	4 meetings were held Aggregate remuneration INR 3,20,000/-	5 meetings were held Aggregate remuneration - Rs. 1,50,000/-
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	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 and Remuneration to part time chairman at the rate of Rs 40,000/- per Board meeting and at the rate of Rs 20,000/- per committee meeting respectively w.e.f July 2021. An amount of Rs. 3,649 thousands was paid as sitting fees and remuneration to Independent Directors during the FY 21-22. Following is the sitting fees paid to the Independent directors -

Name of Director	March 31, 2022	March 31, 2021
AG Varughese	550	120
Arun Prakash Sandilya	30	290
Bhaskar Jyoti Sarma	-	290
Bhaskar Jyoti Sarma (Remuneration as Part time Chairman)	-	1,300
Deep Chandra Joshi	-	70
Gautam Barua	570	190
Manjula Saikia Bhuyan	410	60
PVSLN Murthy	30	70
Ranjit Goswami	-	160
S R Meena	180	-
Sistla Prabhakar	320	-
Tapan Kr Hazarika	520	-
R K Garg	520	-
R K Garg (Remuneration as Part Time Chairman)	519	-
Suvalaxmi Chakraborty	-	30
Total	3,649	2,580



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20. Disclosures relating Securitization

Sl. No.	Particulars	March 31, 2022	March 31, 2021
1.	No. Of SPV's Sponsored by the bank for securitization transaction	NIL	NIL
2.	Total amount of Securitized assets as per books of the SPV's sponsored by the bank	NIL	NIL
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	NIL	NIL
	Others	NIL	NIL
	b) On Balance Sheet exposures:		
	First Loss (Cash Collateral)	NIL	NIL
	Others (Credit Enhancement)	NIL	NIL
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)	NIL	NIL
	Others	NIL	NIL
	Exposure to Third Party Securitization		
	First Loss	NIL	NIL
	Others	NIL	NIL
	b) On Balance Sheet Exposures:		
	Exposure to own Securitization		
	First Loss	NIL	NIL
	Others	NIL	NIL
	Exposure to Third Party Securitization		
	First Loss	NIL	NIL
	Others	NIL	NIL

21. Intra Group Exposures

Particulars	March 31, 2022	March 31, 2021
Total amount of intra- group exposure	NIL	NIL
Total amount of top-20 intra-group exposure	NIL	NIL
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/customer	NIL	NIL
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	NIL	NIL

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

Particulars	March 31, 2022	March 31, 2021
Opening balance of amounts transferred to DEAF	NIL	NIL
Add: Amounts transferred during the period	NIL	NIL
Less: Amounts reimbursed by DEAF towards claims	NIL	NIL
Closing balance of amounts transferred to DEAF	NIL	NIL

23.1 Priority sector lending certificates

The Bank sold PSLCs during FY 2021-22

Particulars	Year ended March 31, 2022		Year ended March 31, 2021	
	PSLC Purchased	PSLC Sold	PSLC Purchased	PSLC Sold
PSLC Small & Marginal Farmers	NIL	NIL	NIL	10,00,000
PSLC Micro Enterprise	NIL	10,00,000	NIL	15,00,000
TOTAL PSLC	NIL	10,00,000	NIL	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, 2022	March 31, 2021
Opening provision	3,211	2,479
Provision during the year	1,692	745
Utilization / Write back of provision	-	(13)
Closing provision	4,903	3,211

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 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:



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Particulars	By January 1, 2020	By January 1, 2021	By January 1, 2022
Minimum LCR	90%	100%	100%

Quantitative disclosures on LCR for the period ended March 31, 2022 :

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets								
1. Total High Quality Liquid	-	28.87,908	-	33.44,441	-	28,33,082	-	30,28,124
Cash Outflows								
2. Retail deposits and deposits	75.71,794	5,51,388	70,92,176	5,14,464	66,95,280	4,85,153	66,52,214	4,86,777
i) Stable deposits	41,15,836	2,05,792	38,95,063	1,94,753	36,87,500	1,84,375	35,68,885	1,78,444
ii) Less stable deposits	34,55,958	3,45,596	31,97,113	3,19,711	30,07,781	3,00,778	30,83,329	3,08,333
3. Unsecured wholesale funding,	24,06,899	16,83,080	42,56,982	23,41,558	30,85,240	17,94,191	36,14,112	17,68,771
i) Operational deposits (all	-	-	-	-	-	-	-	-
ii) Non-operational deposits (all	24,06,899	16,83,080	42,56,982	23,41,558	30,88,666	17,94,191	36,14,112	17,68,771
iii) Unsecured debt	-	-	-	-	-	-	-	-
4. Secured Wholesale funding	-	12,52,959	-	2,68,333	-	3,53,443	-	2,95,764
5. Additional requirements, of	-	-	-	-	-	-	-	-
i) Outflows related to derivative	-	-	-	-	-	-	-	-
ii) Outflows related to loss of	-	-	-	-	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6. Other contractual funding	1,53,079	1,53,079	68,872	68,872	57,943	57,943	48,851	48,851
7. Other contingent funding	-	-	-	-	-	-	-	-
8. Total Cash Outflows	-	36,40,507	-	31,93,229	-	26,90,729	-	26,00,162
Cash Inflows								
9. Secured lending (e.g. reverse	40,290	-	8,333	-	-	-	-	-
10. Inflows from fully performing	8,961	8,961	3,946	3,946	7,990	7,990	15,024	15,024
11. Other cash inflows	20,87,109	16,69,544	19,45,484	17,05,936	8,54,511	7,43,661	8,15,913	6,09,031
12. Total Cash Inflows	21,36,360	16,78,506	19,57,763	17,09,882	8,62,501	7,51,651	8,30,937	6,24,055
13. TOTAL HQLA	-	28,87,908	-	33,44,441	-	28,33,082	-	30,28,124
14. Total Net Cash Outflows	-	19,62,001	-	14,83,347	-	19,39,078	-	19,76,107
15. Liquidity Coverage Ratio	-	147%	-	225%	-	146%	-	153%

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	-	40,62,719	-	36,85,669	-	39,42,291	-	34,78,425
Cash Outflows								
2. Retail deposits and deposits	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,	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%

In accordance with RBI guidelines, the weighted and unweighted amounts are calculated by taking simple daily average for all quarters of the year.





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26. Notes on Compliances with Accounting Standards

26.1 Earnings per Share:

Particulars	March 31, 2022	March 31, 2021
Net profit after tax (₹)	(12,31,998)	71,825
Weighted average shares outstanding – Basic (Nos.)	2,93,385	2,93,385
Weighted average shares outstanding – Diluted (Nos.)	2,93,424	2,93,385
Nominal Value of Equity Shares (₹)	10	10
Earnings per share – Basic (₹)	(4.20)	0.24
Earnings per share – Diluted (₹)	(4.20)	-

26.2 Segment Reporting

Particulars	Treasury		Retail Banking		Total	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Segment Revenue	6,03,516	16,95,618	30,52,724	29,69,197	36,56,241	46,64,814
Segment Results	5,86,797	14,43,064	2,15,976	(4,08,685)	8,02,475	10,41,825
Unallocated Expenses					1,59,819	5,29,170
Operating Profits					6,42,657	5,12,655
Tax Expenses (including deferred tax)					22,940	44,010
Extraordinary profit/loss	-	-	-	-	-	-
Net profit/(Loss)					(12,31,998)	71,825
Other Information:						
Segment Assets	28,76,948	39,91,453	1,80,95,496	1,78,93,751	2,09,72,444	2,18,85,203
Unallocated Assets					25,47,541	6,98,247
Total Assets					2,35,19,985	2,25,83,451
Segment Liabilities	27,51,810	33,59,123	1,79,13,271	1,53,85,436	2,06,65,081	1,87,44,558
Unallocated Liabilities					1,22,374	1,14,366
Total Liabilities					2,07,87,455	1,88,58,924

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 ₹ 67,760 thousands (31-Mar-21 - ₹ 59,813 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, 2022	March 31, 2021
Not later than one year	61,480	59,333
Later than one year but not later than five years	2,31,108	2,57,439
Later than 5 years	80,522	1,53,170
The total of minimum lease payments recognized in the Profit and Loss Account for the year	67,760	59,813

26.4 Deferred tax

Particulars of (Asset)/ Liability	March 31, 2022	March 31, 2021
Depreciation	(6,704)	(6,366)
Provision not allowed under Income Tax Act, 1961	-	-
Expense allowed on cash basis under Income Tax Act, 1961	(9,575)	(17,090)
Others	-	(1,259)
Total	(16,279)	(24,715)

26.5 Fixed Assets

Particulars	Tangible		Intangible		Total	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Opening balance	2,55,032	2,36,542	49,763	47,867	3,04,795	2,84,409
Additions during the year	60,274	77,680	29,030	28,866	89,304	1,06,546
Depreciation charge for the year	(61,938)	(57,666)	(24,705)	(26,970)	(1,06,643)	(84,636)
Disposal of Assets during the year	(4,377)	(1,524)	-	-	(4,377)	(1,524)
Balance at the end of the period	2,48,990	2,55,032	34,088	49,763	2,83,079	3,04,795



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26.6 Related Party Transactions

As per AS 18 Related party Disclosures notified under section 133 of the companies Act 2013, read together with Paragraph 7 of the Companies (Accounts) Rule 2014, the related parties of the Bank during the year ended March 31, 2022 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 (Suspended from 15/07/2021) Sanjeeb Kumar Mishra - Company Secretary (From 20/09/2021)
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, 2022			For the period ended March 31, 2021		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Liabilities						
Term Deposit	(1,553)	802	(5,607)	3,334	2,722	(1,204)
Saving Deposit (Net of withdrawal)	-	(103)	208	-	20	182
Assets						
Long Term Deposit receivables	2,949	-	-	3,149	-	-
Expense						
Interest paid on deposits:						
RGVN (North East) Microfinance Limited	10594	-	-	9,703	-	-
Ketan Kumar Joshi	-	21	-	-	16	-
Rupali Kalita	-	608	-	-	497	-
Mukesh Singh verma	-	11	-	-	5	-
Sanjeeb Kumar Mishra	-	3	-	-	-	-
Kiran Kalita	-	-	95	-	-	65
Sangeeta Ketan Joshi	-	-	98	-	-	392
Hemant Kumar Joshi	-	-	36	-	-	237
Suresh Kumar Joshi	-	-	1	-	-	3
Sita Devi Singh	-	-	2	-	-	29
Simpal Kumari	-	-	-	-	-	157
Net Interest paid on Deposits	10,594	643	232	9,703	518	883
Payment of Remuneration:*						
Rupali Kalita	-	5,087	-	-	4,085	-
Mukesh Singh verma	-	832	-	-	2,777	-
Sanjeeb Kumar Mishra	-	1,470	-	-	-	-
Ketan Kumar Joshi	-	5,285	-	-	5,046	-
Total Remuneration	-	12,674	-	-	11,908	-
Reimbursement of Expenses	200	-	-	-	-	-

* The above remuneration excludes Bonus, Leave encashment & Gratuity

b) Balance outstanding as at year end are as follows

Particulars	For the year ended March 31, 2022			For the year ended March 31, 2021		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Outstanding as at Year end						
Deposits	1,20,661	8,470	3,131	1,21,964	7,771	8,531
Other Liabilities and Provisions	-	-	-	-	-	-
Receivable as at year end						
Other Assets	2,949	-	-	3,149	-	-

c) Maximum Balance outstanding during the year

Particulars	For the year ended March 31, 2022			For the year ended March 31, 2021		
	Holding Company	Key Management Personnel	Relatives of KMP	Holding Company	Key Management Personnel	Relatives of KMP
Deposits	1,20,661	8,470	3,131	1,21,964	7,771	8,531
Other Liabilities and Provisions	-	-	-	-	-	-
Other Assets	3,149	-	-	3,149	-	-



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26.7 Employee Shared Based Payments

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

26.8 Employee benefits

(i) Defined contribution plan

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

Particulars	March 31, 2022	March 31, 2021
Contribution towards provident fund	41,305	42,217
Contribution towards ESIC	7,555	8,300
Contribution towards Pension fund	NIL	NIL

(ii) Defined benefit plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	March 31, 2022	March 31, 2021
Opening Balance of Present value of obligation	64,026	52,466
Obligation transferred on account of BTA	-	-
Interest Cost	4,063	3,460
Current service cost	11,556	11,043
Benefits paid	(1,769)	(1,911)
Actuarial Loss/ (Gain) on obligation	(10,257)	(1,033)
Closing Balance of Present value of obligation	67,619	64,026

Expense recognised in profit and loss account

Particulars	March 31, 2022	March 31, 2021
Current service cost	11,556	11,043
Interest Cost	4,063	3,460
Expected return on plan assets	(6,966)	(5,748)
Net Actuarial loss recognised in the year	(8,774)	(1,033)
Income recognised in profit and loss account	(121)	7,723

Net Liability/(Asset) recognized in the Balance Sheet

Particulars	March 31, 2022	March 31, 2021
Fair value of plan assets	1,21,770	1,09,785
Present value of defined obligation	67,619	64,026
Excess of plan assets over present value of obligation	54,150	45,759
Net Asset recognized in balance sheet	54,150	45,759

Change in Fair Value of Plan Assets during the year

Particulars	March 31, 2022	March 31, 2021
Opening balance of fair value of plan assets	1,09,785	87,157
Plan assets acquired under BTA	-	-
Expected return on plan assets	6,966	5,748
Actual Company Contributions	8,271	18,792
Benefits paid	(1,769)	(1,913)
Actuarial gain/(loss) return on plan assets	(1,484)	-
Closing balance of fair value of plan assets	1,21,770	1,09,785

Actuarial assumptions used

Particulars	March 31, 2022	March 31, 2021
Discount Rate	6.60%	6.35%
Expected Return on plan assets	6.60%	6.35%
Expected rate of salary increase	3.00%	5.00%
Employee Attrition rate		
Upto 30 Yrs	20.93%	16.08%
31-44 yrs	13.36%	11.12%
Above 44 yrs	9.90%	1.30%



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NORTH EAST SMALL FINANCE BANK LIMITED
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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, 2022	March 31, 2021
(Gain)/Loss on Plan Liabilities	(2,270)	(426)
% of Opening Plan Liabilities	-3.50%	-0.80%
(Gain)/Loss on Plan Assets	1,484	-
% of Opening Plan Assets	-1.4%	-

(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, 2022	March 31, 2021
Privileged Leave (Actuarial Liability) at the beginning of the year*	35,292	25,486
Privileged Leave (Actuarial Liability) at the end of the year	30,169	35,292
Actuarial assumptions		
Discount Rate	6.60%	6.35%
Salary Escalation rate	3.00%	5.00%

26.9 Contingent Liabilities

There are no contingent liabilities as on March 31, 2022 (Previous Year : NIL) read with Note No 32 and 2.3.

27. Corporate Social Responsibility

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board, consisting of three or more directors, out of which at least one director shall be an independent director". Further, the company should spend, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Particulars	March 31, 2022	March 31, 2021
a) Gross amount required to be spent by the Bank during the year	5,740	6,653
b) Amount spent during the year	5,716	9,055

28. Subordinated Debt

The Bank has no outstanding subordinated debt as on March 31, 2022 (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, 2022

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



Conceded 8



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Guwahati, Assam

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31. Investor education and protection fund

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

32. 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 has filed an appeal against order before Commissioner of Income Tax (Appeals) and is hopeful of favourable decision as the additions are unsustainable.

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. However the Board of Directors of the bank has noted in its meeting held on 24th February 2021 that the Holding Company has not taken the issue seriously which resulted in passing of an ex-parte assessment order with huge demand. Board of Directors in its meeting held on 24th February 2021 has also raised this matter as a dispute with Holding Company. Any lapse/non-compliance of any law by the Holding Company cannot be treated as liability on the part of Subsidiary Company under Business Transfer Agreement (BTA). Bank has further taken up this matter, that Subsidiary Company disowns this liability, if crystallized and will invoke Clause No 16 of BTA pertaining to arbitration with the Holding Company vide its letter dated 26.03.2022.

33. Note on Extraordinary Situation of COVID-19 :

The "severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)", generally known as COVID-19 pandemic has led to an unprecedented level of disruption on socio-economic front across the country. In compliance with the RBI Circulars dated March 27, 2020, April 17, 2020 and May 23, 2020 with regard to providing relief to borrowers on account of the pandemic, the Bank laid down a policy duly approved by the Board of Directors and accordingly offered moratorium of loan instalments and interest payable by eligible borrowers. The 'second wave' which peaked in April 2021- May 2021 and subsided in June-July 2021. The 'third wave' of Covid-19 broke out at December end, which has impacted Banks operations mildly and level of uncertainty is currently reducing. In view of the same, the Bank has made regulatory and/or contingent provisions amounting to INR 64.18 crores as of March 2022 in respect of borrower accounts restructured in accordance with Resolution Framework for Covid-19 related stress vide RBI circular RBI/2020-21/16 DOR No BP.BC/3/21.04.048/2020-21 dt 5th May 2021. The provisions held by the Bank are higher than the provision required under the RBI Master Circular on Income Recognition and Asset Classification and the RBI Circulars on COVID- 19 Regulatory Package on Asset Classification and Provisioning and Resolution framework.

34. Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014 :

The Bank, as part of its normal banking business, grants loans and advances to its constituents excluding foreign entities with permission to lend / invest / provide guarantee or security or the like in other entities identified by such constituents. Similarly, the Bank accepts deposits from its constituents, who may instruct the Bank to lend / invest / provide guarantee or security or the like against such deposit in other entities identified by such constituents.

These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines as applicable in respective jurisdiction. Other than the nature of transactions described above, the Bank has not advanced / lent / invested / provided guarantee or security to or in any other person with an understanding to lend / invest / provide guarantee or security or the like to or in any other person. Similarly, other than the nature of transactions described above, the Bank has not received any funds from any other person with an understanding that the Bank shall lend / invest / provide guarantee or security or the like to or in any other person.



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NORTH EAST SMALL FINANCE BANK LIMITED
Guwahati, Assam

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₹ in '000

35. These Financial Statements were approved in the Board meeting held on 27.05.2022. Due to certain typographical / computer errors, the financial statements have been revised and approved by the Board. There is no impact on Financials. The details of the errors and rectification are detailed as under:

Sl No.	Particulars	As per Approved Audited Financials	Rectification
1	Schedule I - Share Capital	Compulsorily Cumulative Preference Share Capital (CCPS)	Non- Cumulative Compulsorily Convertible Preference Share Capital (CCPS)
2	Schedule 18- Para-10-Disclosure of Complaints	Number of complaints disposed during the year is mentioned as 228	Number of complaints disposed during the year is 229.
3	Schedule 18- Para-12-Provisioning Coverage Ratio	Year mentioned as March 31, 2021	Should be March 31, 2022
4	Schedule 18- Para No. 26.3 - Lease Disclosure	Not later than one year - 562 Later than one year but not later than five years- 81,767 Later than 5 years- 2,90,781	Not later than one year - 61,480 Later than one year but not later than five years - 2,31,108 Later than 5 years- 80,522
5	Schedule 18- Para No. 26.5-Fixed Assets	Under Intangible Assets, the closing balance as on 31st Mar'22 is reported as INR 1,23,499	The closing balance amount should be reported as INR 34,088
6	Schedule 18- Para No. 34- Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014	Disclosure not available	Now included in Para No. 34

36. Prior period comparatives

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

For and on behalf of the Board of Directors

Ketan Kumar Joshi
 Chief Financial Officer
 M. No. 056916

Dr Ram Krishna Garg
 Chairman
 DIN : 02164119

Sanjeeb Kumar Mishra
 Company Secretary
 M.No - FCS6291

Rupali Kalita
 Managing Director & CEO
 DIN : 02114098

Tapan Kumar Hazarika
 Independent Director
 DIN : 08088195

Place : Guwahati
 Date : July 30, 2022

As per our audit report of even date

For Baweja & Kaul
 Chartered Accountants

Firm Registration Number : 005834X

CA Dalip Kumar Kaul
 Partner
 Membership No - 083066

UDIN - 22083066APKUXB2774

Place : GUWAHATI

Date : 19/08/2022





PILLAR 3 DISCLOSURE

FY 21-22

This document is a disclosure report which is prepared in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015.

The report provides a review as on 31st March 2022 of North East Small Finance Bank (NESFB) with key observations on capital adequacy, the credit quality of its asset book and issues relating to liquidity risk and operational risk.

The Bank is headquartered in Guwahati, Assam and there are no foreign operations of the Bank.

Pillar 3 disclosures on the capital adequacy and risk management framework are detailed in the following sections:

1. Capital Adequacy Assessment

1.1 Capital Adequacy Assessment

The Bank is subject to the capital adequacy framework as per the “Operating Guidelines for Small Finance Bank” from Reserve Bank of India (RBI). As per capital adequacy framework, the Bank is required to maintain a minimum Capital to Risk Weighted Assets (CRAR) of 15% with minimum Tier I capital as 7.5%. As of now, capital conservation buffer and counter cyclical buffer are not applicable for small finance banks.

For the purpose of capital adequacy, only credit risk is covered since there is no separate capital charge prescribed for market risk and operational risk as per the direction of RBI. For credit risk, RBI has prescribed Basel II Standardized Approach and has permitted the use of external rating-based risk weights for rated exposure and regulatory retail approach for small retail loans.

The Bank has a process of assessing the capital requirements and a strategy to maintain its capital levels. Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing to assess the impact on capital and risk weighted under various plausible stressed scenario. The Bank has set up sound governance and control practices to identify, assess and manage risks. The Risk Management Committee of the Board reviews results of stress testing.

1.2 Capital Adequacy

As per RBI guidelines for small finance banks, the capital to risk weighted assets (CRAR) has been assessed using Basel II standardized approach for credit risk only and no separate capital charge prescribed for market risk and operational risk. Since market risk framework also covers specific risk charge, therefore, to assess the credit risk in the trading book, an external rating-based approach is used and risk weighted assets so computed are included under credit risk.

Bank's Tier 1 capital ratio is 15.09% and Tier 2 is 1.96% leading to overall CRAR of 17.05%

CRAR	(₹ In Crs)	(₹ In Crs)	(₹ In Crs)
Capital Base (After Adjustments)	Mar-20 A	Mar-21 A	Mar-22 A
Tier 1 Capital	348.57	352.93	256.14
Tier 2 capital	25.801	18.23	33.29
Total Capital	374.371	371.16	289.43
Risk Weighted Assets			
Credit RWA	1498.43	1748.97	1697.69
On Balance Sheet	1498.43	1748.97	1697.69
Off Balance Sheet	0	0	0
Total RWA	1498.43	1748.97	1697.69
Tier 1 Capital Ratio	23.26%	20.18%	15.09%
Tier 2 Capital Ratio	1.72%	1.04%	1.96%
Total Capital Ratio	24.98%	21.22%	17.05%

2. Credit Risk

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The objective of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable limits.

2.1 Credit Risk Management Framework

The bank's credit risk management framework consists of a tiered governance structure that defines, monitors and reviews policies and risk limits periodically with appropriate use of statistical techniques.

The bank has an approved delegation of authorities including credit committee for credit approvals. The risk management committee at the management level proactively assess portfolio quality, prudential limits and inherent risks. It also frames policies and sets limits to mitigate identified risk. Governance control is vested with the Risk Management Committee (RMC) of the Board, which monitors and provides guidance on the risk assessment and capital adequacy as well as ensures timely and effective implementation of policies. Policies such as the lending policy, investment policy, credit risk policy, product credit policies, Willful defaulter policy are defined to effectively manage credit risk.

The risk management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The Risk Management function is not assigned any business targets.

2.2 Credit Process

The product credit policy details the credit norms to be adhered to for each customer segment within specific products. An empowerment matrix is prescribed to ensure that a competent authority takes an informed decision on any deviations to these norms.

Credit Origination and Appraisal System

There are separate Credit Origination and Appraisal Processes for Micro Finance Segment, Agriculture Finance Segment, MSME Segment and Retail segments. Within these segments, the Bank has adopted underwriting standards for different client segments that is based, inter alia, on ticket size, availability

of security and other risk parameters. The credit sanctions are provided by experienced credit professionals with delegated approval authorities as per Bank's Board approved credit policy, based on detailed appraisal memorandum that takes into account business and financial risks of the proposal. The Micro Finance segment, on the other hand, relies largely on standardized product programs for credit risk assessment and approvals.

Credit Rating Framework

The Bank has developed a Credit Scoring Model for all asset loans. The minimum threshold for approval of cases is clearly defined along with actual sanction of cases through detailed appraisal. While credit scoring would be one of the important parameters for deciding pricing of loans, it will be pertinent for the Bank to consider the expectations of the customers as regards rate of interest to remain competitive at this stage when it is stepping into new segments.

Credit Documentation

Standard documentations are finalized and registered in consultation with the legal and compliance department.

Delegation of powers

The Bank has adopted 'Four Eyes' principle for credit approval which reduces risk from errors and ensure compliance. The principle dictates that generally at least two people must create, examine and approve any credit proposal.

Post Sanction Monitoring

Credit monitoring involves follow-up and supervision of the Bank's exposures with a view to maintaining the asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating the credit risk to the Bank.

Effective and on-going follow-up and supervision of borrower accounts are the important component in the Bank's credit monitoring process. It is critical and important to strengthen the credit monitoring mechanism and the Bank strives to graduate to stringent/leading practices in monitoring on an on-going basis. The Bank accord special emphasis on credit monitoring at all times.

Monitoring Standards – Portfolio level:

The Bank is performing portfolio monitoring on a monthly basis with specific focus on the following key aspects

- Portfolio origination performance – Number of applications, Priority Sector Lending (PSL) compliant loans, etc.
- Portfolio asset quality – Delinquencies in various buckets days
- Portfolio concentration limits – Concentration across tenor, single borrower, group borrower level, geography, product, etc.

Risk Management Department is responsible for conducting portfolio level monitoring and publishing relevant MIS reports. Bank has been slowly focusing more on secured lending which will have a lower RWA allocation under Credit Risk Standardized approach

Periodic Quality & Control Reviews:

Internal audit exercise is conducted by way of periodic reviews and checks to ensure adherence to established credit policies and procedures. On a periodic basis, a sample of applications and approvals & rejects are selected and checked for adherence to the credit filters, credit underwriting and verification criteria. Feedback provided to branches, changes made to the process as a result of these reviews are documented.

2.3 Credit Concentration Risk

Credit Risk (including credit concentration risk) i.e. the risk of financial losses in credit assets (including off-balance sheet instruments) caused by deterioration in the current conditions of counterparties. We have an exclusive “Lending policy” which covers the RBI guidelines for overall Credit portfolio and Lending operations and apart from the above, there exists an overall Credit Risk policy.

However, concentration risk arises due to creation of large position in a single asset or sector or an individual or group of similar borrowers. As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, the Reserve Bank of India has advised the banks to fix limits on their exposure to specific industry or sectors and has prescribed regulatory limits on banks’ exposure to single and group borrowers in India.

As per the RBI guidelines on Small finance Banks, the below prudential limits are set in our credit risk policy that is monitored on continuous basis and is being reported to Credit Risk Management Committee on monthly basis and Board RMC on quarterly basis.

The Bank manages concentration risks using prudential limits. Credit Concentration in the bank’s portfolio is monitored for the following

- **Single/Group Party Exposure:** The Bank has individual borrower-wise exposure limits as well as group-wise borrowing limits which are continuously tracked and monitored.
- **Industry Exposure:** The Bank tracks the exposure to specific industries and sectors. The analysis further contributes to formulating the growth strategy of the Bank.
- **Geography-wise Exposure:** The Bank continuously monitors the geographic concentration of the business and factors the inputs into its strategic business planning. The bank is aware of its concentration in Assam and is taking steps to reduce the same by growing its asset book in other states and through product diversification.

2.4 Portfolio Management

NESFB monitors its portfolio across different parameters and analyzes the spread of risk among different asset classes. The bank is taking steps to diversify the portfolio and increase the secured lending portfolio. It also analyses the portfolio performance of different customer segments within products as well as portfolio performance for known risk indicators such as LTV, tenure, geography, etc. NESFB monitors portfolio at risk (PAR), which is an overdue portfolio (1 day overdue and more) across products and business lines to identify any impending stress.

2.5 Credit Exposures and Risk Summary

S. No.	Exposure Type	₹ in Crs
1	Fund Based – Loans & Advances (Book Value)	1744.72
2	Fund Based – Non SLR (Book Value)	0
3	Non-Fund Based	0
	Total	1744.72

Geographical Concentration

Months	O/S as on Mar-20		O/S as on Mar-21		O/S as on Mar-22	
States	₹ Cr.	%	₹ Cr.	%	₹ Cr.	%
Arunachal Pradesh	21	1.55%	26	1.5%	28	1.61%
Assam	1208	88.95%	1509	87.1%	1493	85.57%
Manipur	12	0.88%	20	1.2%	20	1.16%
Meghalaya	18	1.33%	27	1.6%	31	1.80%
Mizoram	8	0.59%	14	0.8%	21	1.18%
Nagaland	6	0.44%	7	0.4%	7	0.42%
Sikkim	31	2.28%	42	2.4%	45	2.55%
Tripura	29	2.14%	46	2.7%	55	3.15%
West Bengal	25	1.84%	41	2.3%	45	2.56%
Total	1358	100.00%	1732	100%	1745	100%

Sector Concentration

Sector	FY 20A	FY 21A	FY 22A
AGRI ANCILLARY	3	590	490
AGRI FARM CREDIT	523	0	0
MSME	801	981	942
OTHERS	31	161	313
Total	1358	1732	1745

Maturity Pattern of Advances (Maturity bands as used in ALM Returns)

S.no.	Maturity buckets	Net Loans & advances	Investments	Amount in INR Crs	
				Deposits	Borrowings
1	1 day	3.19	77.63	9.69	-
2	2 days to 7 days	19.36	2.36	20.20	-
3	8 days to 14 days	22.48	3.26	21.59	-
4	15 days to 30 days	53.55	55.99	50.89	5.25
5	31 days to 3 months	185.94	18.81	158.99	99.25
6	Over 3 month & upto 6 month	314.08	30.78	150.29	5.85
7	Over 6 month & upto 1 year	444.16	25.02	318.06	121.75
8	Over 1 year & upto 3 years	502.21	62.35	791.78	202.00
9	Over 3 years & upto 5 years	79.89	0.77	5.28	10.75
10	Over 5 years	2.36	0.23	2.01	-
	Total	1,627.23	277.22	1,528.78	444.85

2.6 Non-Performing Assets and its Classifications

Classification

Advances are classified as Performing Assets (Standard) and Non-Performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. The advances are stated net of specific provisions made towards NPAs, unrealized interest on NPAs, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognized in the Profit and Loss Account until received.

Provisioning

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. As part of Covid-19 Regulatory package Bank has made additional provisions as required by RBI Guidelines on these matters. Additionally, Bank has made Provisions for Upper Assam as well.

The details of the NPA & Provisions are given below

(Amount in Rs. Cr)

Particulars as of Mar 2022	Total Principal O/S	Provision
Standard Unrestructured Portfolio	948.8	8.2
Standard Restructured Portfolio	606.0	49.0
Sub-Standard Unrestructured Portfolio	34.6	8.4
Sub-Standard Restructured Portfolio	61.7	15.2
Doubtful Unrestructured Portfolio	93.7	93.9
Doubtful Restructured Portfolio	0.0	0.0
Floating Provision		15.0
Total	1744.7	189.7

3. Leverage Ratios

The Bank is also assessing leverage ratio as per Basel III framework. Leverage ratio is a non-risk-based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk-based capital requirements.

Leverage Ratio = Capital Measure (Tier I Capital) / Exposure Measure

Tier 1 capital in Rs Crs - (A)	256.14
Exposure in Rs Crs – (B)	2346.96
Leverage Ratio (A/B)	10.91%

4. Market Risk

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables such as interest rates, credit spreads, equity prices etc. The market risk for the bank is governed by 'Market Risk Policy' and 'Treasury & Investment Policy', which are approved by the Board. These policies ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

RMD is responsible for identifying and escalating any risk pertaining to Market Risk on a timely basis. The Department ensures that market risks are identified, assessed, monitored and reported for management decision making.

For market risk purposes, investment books- Available for Sale (AFS) and Held for Trading (HFT) are considered as trading book. Since capital charge for market risk in the trading book is not prescribed for pillar 1 for SFBs, it is not assessed separately.

5. Interest Rate risk in Banking Book

Interest Rate Risk in banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the bank's Banking Book as a consequence of movement in interest rates. The Bank is exposed to interest rate risk on most of its assets and liabilities due to change in interest rates. IRRBB risk mainly arises through mismatches in repricing of interest Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) and rate sensitive off-balance sheet items in the banking book.

IRRBB has the potential to make NII volatile. The Bank strives to manage the asset and liability position of the balance sheet to achieve a profile that controls the impact of changes in interest rates on the Bank's NII and economic value. Bank has adopted duration gap approach to assess interest rate risk from economic value perspective.

Measurement and outcome of the Interest Rate Risk

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Interest rate risk can pose a significant threat to a bank's earnings and capital base. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses.

Following process/reports has been adopted to measure/monitor:

1. Interest Rate Sensitivity Gap Reports (EaR): RMD would seek to monitor interest rate sensitivity by generating interest rate sensitive gap reports, which provide a cash flow bucketing, based on re-pricing profile and frequency of interest rate sensitive assets and liabilities. This report is submitted to RBI for month end dates.

Table as on March 31,2022

Earnings at Risk	(₹ In Crores)
Impact on 100 basis points change in interest rate	-2.76
Impact on 200 basis points change in interest rate	-5.52

2. Modified Duration Gap Measures (MVE): Modified duration seeks to measure sensitivity of the market. This report is submitted to RBI on monthly basis as of month end.

According to the RBI guidelines on ALM framework dt: 04 November 2010, drop in the Market value of Equity (MVE) should not be more than 20 % with an interest rate shock of 200 basis points. However

as per our ALM policy limit of drop in MVE is set as 15% for an interest rate shock of 200 bps. RBI advises bank to allocate capital under Pillar 2 if the set limit of MVE for 200 bps shock is breached.

OUTCOME

As of 31st Mar 2022, percentage change in the MVE (Market value of Equity) for 100 and 200 bps shocks are given below.

As on	31-03-2021	31-03-2022
Economic Value of Equity	Amount in Rs. Crs	Amount in Rs. Crs
Net Worth	372.45	273.25
Risk Sensitive Assets (RSA)	2046.35	2064.44
Risk Sensitive Liabilities (RSL)	1862.16	1973.63
Duration of Assets (DA)	2.78	1.86
Duration of Liabilities (DL)	2.41	1.23
Duration GAP (DGAP) = DA - W (DL)	0.59	0.69
For 200 bps shock	-6.48%	-10.41%
For 100 bps shock	-3.24%	-5.20%

6. Liquidity Risk

Liquidity risk has two categories - Funding Liquidity Risk & Market liquidity Risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management, because of a deterioration of market conditions or bank's financial conditions, and then being forced to raise funds at a remarkably higher rate of interest than usual. Market liquidity risk is the risk that bank cannot easily offset or eliminate a position at a prevailing market price because of inadequate market depth or market disruption.

Liquidity being crucial to the ongoing viability of the bank, management of liquidity risk by the bank aims to control related risk exposure which ensures that earnings are commensurate with the levels of risk.

Measurement of Liquidity Risk:

The Bank has in place a policy as follows for this purpose:

1. ALM Committee of the bank meets, at such periodicity as the Management may determine, to review important matters related to liquidity risk and control.
2. A well-defined ALM Policy is in place and the same to be reviewed / updated annually.
3. Impact of Liquidity Risk is currently assessed through gap analysis for maturity mismatches based on residual maturity in different time buckets and management of the same is done based on the mismatch limits set in ALM policy.
4. Currently bucketing is done as per the RBI prescribed standard guidelines.

According to the bank's ALM policy, the Net Cumulative negative mismatch of the cumulative cash outflows for the buckets 1day, 2-7 days, 8-14 days, 15- 30 days should not exceed 5%, 10%, 15%, 20% respectively.

In line with the above limits, as of Mar 2022, our cumulative mismatch is computed and the same is given below:

Buckets	Mismatch	Cumulative Mismatch	Cumulative Gap as % to cumulative outflows	Limits
	(₹ In Crs)	(₹ In Crs)		
Day 1	115.55	115.55	1185%	-5.00%
2-7 days	92.82	208.37	696%	-10.00%
8-14 days	51.91	260.28	505%	-15.00%
15-30 days	173.11	433.39	395%	-20.00%
31 days and upto 2 months	38.47	471.86	256%	-25.00%
More than 2 months and upto 3 months	-90.23	381.63	101%	-25.00%
3 months and upto 6 months	195.71	577.34	108%	-25.00%
6 months and upto 1 year	31.27	608.61	62%	-30.00%
Over 1 year and upto 3 years	-375.56	233.05	12%	-35.00%
Over 3 years and upto 5 years	49.30	282.35	14%	-35.00%
Over 5 years	-282.35	0.00	0%	-35.00%

Dynamic Liquidity Analysis

Bank manages its liquidity on dynamic basis to supplement the liquidity gap analysis by capturing net cash outflow or inflows for business units considering their business projections for next 3 months.

Stock Liquidity Indicators

Bank also possess liquidity through various stock liquidity indicators on a periodic basis and the outcome as of March 31, 2022 as of below.

Ratios	Limit	Mar-20	Mar-21	Mar-22
Volatile Liabilities ratio (Volatile liabilities – Temporary assets) / (Earning assets – Temporary assets)	Max. 40%	-3.70%	22.10%	30.52%
Illiquid assets to total assets ratio (Loans + Mandatory SLR + Mandatory CRR + Fixed assets) / Total assets	Max. 85%	75.69%	80.42%	82.70%
Illiquid assets to core deposits ratio (Loans + Mandatory SLR + Mandatory CRR + Fixed assets) / Core deposits	Max. 500%	206.84%	176.98%	181.38%
Available liquid assets ratio Temporary assets / Total Assets	Max. 40%	27.21%	18.43%	16.76%
Volatile liabilities to total assets ratio Volatile liabilities / Total assets	Max. 60%	24.67%	35.70%	40.89%
Core deposits ratio Core deposits / Total assets	Min. 20%	42.03%	52.43%	45.59%
Liquid investments to volatile liabilities ratio Temporary assets / Volatile Liabilities	Min. 60%	110.32%	51.61%	40.99%

7. LIQUIDITY COVERAGE RATIO (LCR)

Background

The Reserve Bank, being a member of the BCBS, is fully committed to the objective of the Basel III reform package and, therefore, intends to implement these proposals for banks operating in India. Accordingly, draft guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards have been prepared and published in Feb 2012.

LCR Position

	March 31, 2020	March 31, 2021	March 31, 2022
LCR	166%	174%	277%

8. Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, which includes but is not limited to legal risk. It is inherent in all activities arising out of bank's business and operations and could result in financial losses, litigation, regulatory fines or other damages to the bank. The severity of impact on the bank, its employee and customer are dependent on the efficacy with which operational risk is managed by the bank. The goal is to keep operational risk at appropriate levels, in light of the bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

Consistent with these objectives board has approved an Operational Risk Management policy (ORM) of NESFB which covers the following elements

- **Governance:** Operational Risk Management (ORM) governance structure includes Board of Directors, and ERM (Executive Risk Management Committee). Roles and responsibility of the oversight bodies are detailed in the relevant paragraphs.
- **ORM Policy and Procedures:** ORM Policy and processes covering, Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Loss Data Management (LDM), New Product Approval are separately documented and approved from relevant authorities.
- **ORM Organization Structure:** Bank's Organizational structure for managing operation risks consists of the following three lines of defence.
 - Business Unit
 - Operational Risk Management department
 - Internal Audit department
- **Operational Risk Assessment and Measurement Tools:** The primary tool for measuring operational risk across the Bank shall include internal operational loss data, regulatory penalties and frauds. These loss data is used primarily for assessing and monitoring operational risk exposures including compliance risk across the Bank. ERM is empowered to modify and implement any additional tools apart from the ones currently in place
- **Reporting:** Reports on Operational Risk exposures approved by ERM are used at stipulated frequencies to monitor operational risk exposures within the overall ORM. Relevant reports

will be submitted to relevant entities such Board, ERM, business and support unit heads as described in the respective policy and process documents.

9. IT & Information Security

The Bank has an independent information security department, which addresses information and cyber security related risks and reports to Chief Risk Officer (CRO). The Bank has a defined governance structure in place under the Information Security & Cyber Risk Committee, which includes representatives from Business, Operations, Security & Cyber Risk management functions that is responsible for overall IT Risks. Bank Information and Cyber Risk Management Committee provides direction for mitigating the operational risk in IT security.

Disaster recovery and Business Continuity Plan (BCP) has been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

NOTICE

Notice is hereby given that the 6th Annual General Meeting of North East Small Finance Bank Limited will be held at 10:00 AM, on Friday, 23rd day of September, 2022 through Video conferencing or Other Audio Visual Means from the 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, 2022 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 6th Annual General Meeting till the conclusion of 7th Annual General Meeting of the bank, subject to approval from Reserve Bank of India and such other regulatory authorities, as may be applicable, and on such terms and conditions, including remuneration, as approved by the Board of Directors of the Bank".

3. To appoint a Director in place of Ms. Smriti Chandra (DIN: 07644331) who retires by rotation and, being eligible, offers herself for re-election:

Explanation: Pursuant to the Provisions of the Companies Act, 2013, the Directors appointed by the Promoter are liable to retire in rotation depending upon their seniority and there will not be any discontinuance in their appointment as Directors. As Ms. Smriti Chandra, highest serving Director nominated by the Promoters, her appointment is liable for retirement and if the shareholders agree then she can be again elected to a Director of the Bank. Therefore, members are requested to consider and if thought fit, to pass the following resolution as an ordinary resolution:

"RESOLVED THAT, pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Ms. Smriti Chandra (DIN: 07644331.), who retires by rotation, be and is hereby re-appointed as a director liable to retire by rotation.

"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."

SPECIAL BUSINESS.

4. To Approve the Appointment of Dr Gautam Barua as an Independent Director in the Board of NESFB for a period of 3 years till June 29th 2025.

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

"RESOLVED THAT pursuant to provisions of Section 149 of Companies Act, 2013 read with Schedule IV and other applicable provisions, if any, of the Companies Act 2013, and as per Rule 4 Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification or reenactment(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 Dr Gautam Barua as an Independent Director on the Board of North East Small Finance Bank Limited for a term of 3 years with effect from 30.06.2022 to 29.06.2025."

"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. To Approve the Appointment of Mr Manas Kumar Bid as a Nominee Director of NESFB.

"RESOLVED THAT pursuant to provisions of Section 161 (1) 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 Manas Kumar Bid as an Nominee Director on the Board of North East Small Finance Bank Limited.

"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. To Approve the Appointment of Mr Pradeep Kumar Nath as Nominee Director of NESFB.

"RESOLVED THAT pursuant to provisions of Section 161 (1) 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 Pradeep Kumar Nath as an Nominee Director on the Board of North East Small Finance Bank Limited.

"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."

7. Approving the Offer and Issuance of Equity Shares and CCPS on a private placement basis.

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

"RESOLVED THAT in accordance with the provisions of section 42, 62(c) and other provisions, applicable, if any, of the Companies Act, 2013 read with Companies (Prospectus and allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modification thereto or re-enactment thereof for the time being in force)(the "Act") and pursuant to the Memorandum of Association, the Articles of Association of the Company and the provisions of any other applicable laws, rules, regulations, notifications and guidelines issued by Reserve Bank of India and other authorities, institutions or bodies (including any amendments thereto or re-enactments thereof), consent of the Shareholders of the Company be and is hereby accorded to create, offer and issue up to 29638 Equity Shares of face value of Rs. 10/- (Ten) each at a premium of Rs. 6.87 aggregating upto Rs. 16.87 (Rupees Sixteen and Eighty Seven Only) and 563122 Compulsorily Convertible Preference Shares of face value of Rs. 10 (Ten) each at a premium of Rs. 6.87 per CCPS aggregating to Rs. Rs. 16.87 (Rupees Sixteen and Eighty Seven Only) (having key terms and conditions as set out in Annexure A hereto and more fully described in the Shareholders' Agreement dated 29.03.2022 and Share Subscription Agreement dated 29.03.2022 executed inter alia among the Company, NORDIC MICROFINANCE INITIATIVE FUND III KS, DIA VIKAS CAPITAL PRIVATE LIMITED, NORTH EASTERN DEVELOPMENT FINANCE CORPORATION LIMITED and MATTERHORN PROJECTS LLP), on preferential basis through private placement, in one or more tranches, to the following identified persons:

Name of the Investor	No of Equity Shares	No of CCPS	Total Consideration
M-Swasth Solutions Private Limited	29638	563122	99,99,861.20

RESOLVED FURTHER THAT the said Equity Shares and CCPS shall rank pari-passu with the other Equity Shares and CCPS in all respects.

RESOLVED FURTHER THAT Ms. Rupali Kalita, MD & CEO of the Bank and/ or the CFO, or the Company Secretary be and are hereby authorized for and on behalf of the Company to deal, negotiate, accept, modify etc. the terms and conditions in relation to the said Issue and to sign, issue and circulate the Private Placement Offer Letter (the "PPOL") in Form PAS-4 prescribed under the Act and such other ancillary documents and to submit the said PPOL and such other necessary



E-Forms with Ministry of Corporate Affairs/Registrar of Companies by affixing digital signature thereto and to do all such acts, deeds, matters and things which may deem necessary in this regard.

RESOLVED FURTHER THAT a certified true copy of this resolution issued under the signature of any one of Ms. Rupali kalita, MD & CEO or Mr. Ketan Joshi, CFO, Company Secretary of the Company be submitted to whomsoever it may concern."

We are expecting few more investors intention to invest in NESFB in the coming weeks, post which we will approach shareholders for necessary approvals.

ANNEXURE A

KEY TERMS OF THE CCPS

Any terms that are capitalized but not defined in this Schedule I shall have the meaning ascribed to them in the (i) Share Subscription Agreement dated 29.03.2022; and (ii) the Shareholders' Agreement dated 29.03.2022 executed among the Company and inter alia, NORDIC MICROFINANCE INITIATIVE FUND III KS, DIA VIKAS CAPITAL PRIVATE LIMITED, NORTH EASTERN DEVELOPMENT FINANCE CORPORATION LIMITED and MATTERHORN PROJECTS LLP.

1. Form and Status of the CCPS

The CCPS shall have a face value of INR 10 (Indian Rupees Ten).

2. Voting

The CCPS holders shall have the voting rights, as prescribed under the Act and Applicable Laws.

3. Dividend

The Investors shall be entitled to receive on their respective CCPS non-cumulative dividend in preference to any dividend on Equity Shares at the rate of 0.000001% per annum, until converted into Equity Shares.

4. Conversion of CCPS

4.1 The CCPS shall be mandatorily and fully convertible into Equity Shares ("Conversion Shares") after the Closing Date as per the net worth thresholds set out below. The CCPS shall be converted based on audited financial statements as of 31 March 2023. The Company will be valued at a ceiling pre-money valuation of INR 495,00,00,000 (Indian Rupees Four Hundred and Ninety-Five Crores) calculated as 1.65x (one point six five times) the Company's pre money net worth as of 31 March 2023, provided the pre money net worth is INR 300,00,00,000 (Indian Rupees Three Hundred Crores) or higher.

4.2 If the Company's pre money net worth as per the audited financial statements as of 31 March 2023 is below INR 300,00,00,000 (Indian Rupees Three Hundred Crores), the pre money

valuation will be calculated as 1.65x (one point six five times) the pre money net worth of the Company as on 31 March 2023, subject to a pre money net worth floor of INR 182 crore (Rupees One Hundred and Eighty Two Crore). This implies that the pre money valuation of the Company cannot be below INR 300.30 crore (Rupees Three Hundred Crore Thirty Lakh only).

4.3 Save as otherwise provided under Applicable Law, the conversion of CCPS into the Conversion Shares shall take place without any additional payment to the Company in accordance with the conversion ratios determined in accordance with this Paragraph 4.

4.4 The Conversion Shares issued and allotted shall be fully paid and free of Encumbrances and shall rank pari passu in all respects with the Equity Shares of the Company.

4.5 Notwithstanding anything contained in this Paragraph 4, if the terms of conversion of the compulsorily convertible preference shares to be offered in the next funding round of the Company are changed/amended from the terms of conversion of the CCPS being issued under the SHA, then the conversion terms of the CCPS issued under the SHA shall have to be reset to match those terms. Further, if the next round of funding of the Company is completed at a pre-money valuation of less than INR 300,30,00,000 (Rupees Three Hundred Crore Thirty Lakh only), then the CCPS holders shall have anti-dilution price protection on a board based weighted average basis.

5. Conversion Procedure

5.1 The Company shall undertake the following actions to issue the Conversion Shares:

- (a) the Company shall ensure that it has sufficient number of authorised and unissued Equity Shares to permit the conversion of the CCPS by the Investors;
- (b) the Company shall convene a meeting of the Board to approve the following:
 - (i) the conversion of the CCPS into Conversion Shares;
 - (ii) issue and allotment of Conversion Shares to the Investors in accordance with Applicable Law; and
 - (iii) issuing instructions to the depository participant of the Company to credit the proportionate number of Conversion Shares into the respective demat accounts of the Investors.
- (c) the Company shall issue duly executed irrevocable instructions to the depository participant of the Company to credit the Conversion Shares into the respective demat accounts of the Investors and provide certified copies of the same to the Investors;



(d) the Company shall provide a duly certified copy of the beneficiary position statement (BENPOS) from its depository participant reflecting the Investors as the beneficial owner of the Conversion Shares;

(e) the Company shall comply with the Act in relation to the issuance and allotment of the Conversion Shares, including making all corporate, secretarial, and statutory filing required to be made under the Act within the statutory timelines prescribed under Applicable Laws, and provide certified true copies of the same to the Investors along with the receipt in respect of such filing; and

(f) All the costs relating to the conversion procedure, including the payment of any stamp duty on the issue of the Conversion Shares, shall be borne by the Company.

6. Restrictions on Transfer

The CCPS and the Conversion Shares shall be subject to the Transfer restrictions as set forth under the Transaction Documents.

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

Place: Guwahati
Date: 25/08/2022

Rupali Kalita
Managing Director & CEO

NOTES:

1. A member entitled to attend and vote at the 6th 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 2021-22 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: 25/08/2022

Rupali Kalita
Managing Director & CEO



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

Item No.4: To Approve the Appointment of Dr Gautam Barua as an Independent Director in the Board of NESFB for a period of 3 years till June 29th 2025

Dr. Gautam Barua whose appointment as Independent Director has come to an end on 29th June 2022 and the Board of Directors following all the procedures reappointed him as the Independent Director of the Board for a further period of 3 years. The shareholders are requested to pass the resolution as a Special resolution for his appointment.

Item No. 5: To Approve the Appointment of Mr Manas Kumar Bid as a Nominee Director of NESFB

Mr Manas Kumar Bid [DIN- 02493180] was appointed as Additional Director in the Board in the meeting held on 30.06.2022 and as per the provisions of Section 161 (1) of 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, Mr Manas Kumar Bid as a Nominee Director of the Promoter on the Board of North East Small Finance Bank Limited, the approval of the of Shareholders is required to regularise his appointment.

Further, Mr. Manas Kumar Bid 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: To Approve the Appointment of Mr P.K. Nath as a Nominee Director of NESFB

Mr P.K. Nath [DIN-07344935] was appointed as Additional Director by a Circular Resolution passed on the 8th Day of August 2022 and duly ratified in the Board in the meeting held on 25th day of August, 2022 and as per the provisions of Section 161 (1) of 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, Mr P.K. Nath as a Nominee Director of the Promoter on the Board of North East Small Finance Bank Limited, the approval of the of Shareholders is required to regularise his appointment.

Further, Mr. Nath 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.

Item No. 7: Approving the Offer and Issuance of Equity Shares and CCPS on a private placement basis

To meet the expansion requirements of the Company, the Board has proposed to raise Capital by offering and issuing to the identified persons set out below (**Investors**), the number of Equity Shares of the Nominal Value of R 10 (Rupees Ten) each at a Premium of Rs 6.87 (Rupees Six and eighty seven Only) each and the number of Compulsorily Convertible Preferential Shares of the Nominal Value of Rs 10 (Rupees Ten) each at a Premium of Rs 6.87 (Rupees Six and eighty seven Only) each, as indicated against the names of the Investors below, under Sections 42 and 62 and other applicable provisions of the Companies Act, 2013 via Private Placement method.

Name of the Investor	No of Equity Shares	No of CCPS	Total Consideration
M-Swasth Solutions Private Limited	29638	563122	99,99,861.20

Following are the disclosures required pursuant to Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014:

a. Particulars of the Offer including date of passing of Board Resolution:

The proposed offer is for issuing **29638** Equity Shares of INR 10 each at a premium of INR 6.87 each and **563122**, Compulsorily Convertible Preferential Shares of the Nominal Value of Rs 10 (Rupees Ten) each at a Premium of Rs 6.87 (Rupees Sixteen and eighty seven Only) each to the Investors whose names are set out above in this explanatory statement, and in numbers as set out above in this explanatory statement.

Date of passing the Board resolution: 25.08.2022

b. Kinds of Securities offered and the Price at which Security is being Offered:

Equity Shares are being offered and the said Equity Shares shall enjoy equal rights with existing Equity Shares and shall be issued having pari passu rights. The said securities shall be offered at a price of INR 16.87/- (Rupees Sixteen and eighty seven. Only) each. CCPS are being offered and the said CCPS shall be pari passu with other CCPS. The said securities be offered at a price of INR 16.87/- (Rupees Sixteen and eighty seven. Only) each.



c. Basis or Justification for the Price (including Premium, if any) at which the offer or invitation is being made:

The pricing for the shares is done in accordance with the guidelines stipulated under the provisions of the Companies Act, 2013 and all other applicable law. The Price has been arrived at on the basis of Valuation Report obtained from M/s Dharmesh L Trivedi & Co, Firm Regd No- 148007W, Registered Valuers (SFA) valuing the Equity Shares of the Company. The basis and justification along with detailed calculation for arriving at the said Price by the Valuer has been detailed out in their Valuation Report. The same has been attached with the Notice.

d. Name and Address of Valuer who performed Valuation:

Valuation has been carried out by M/s s Dharmesh L Trivedi & Co., Registered Valuers (SFA) Firm Regd No- 148007W ,Membership no- 040961, having their office address at Mumbai.

e. Amount which the Company intends to raise by way of such Securities:

The Company intends to raise an amount of INR **99,99,861.20** (Rupees .Only) by issuing the said class of Securities.

f. Material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities.

PART A: Equity Shares

The Equity Shares shall rank pari passu with existing Equity shares.

PART B: CCPS

1. Form and Status of the CCPS

The CCPS shall have a face value of INR 10 (Indian Rupees Ten).

2. Voting

The CCPS holders shall have the voting rights, as prescribed under the Act and Applicable Laws.

3. Dividend

The Investors shall be entitled to receive on their respective CCPS non-cumulative dividend in preference to any dividend on Equity Shares at the rate of 0.000001% per annum, until converted into Equity Shares.

4. **Conversion of CCPS**

- 4.1 The CCPS shall be mandatorily and fully convertible into Equity Shares ("**Conversion Shares**") after the Closing Date as per the net worth thresholds set out below. The CCPS shall be converted based on audited financial statements as of 31 March 2023. The Company will be valued at a ceiling pre-money valuation of INR 495,00,00,000 (Indian Rupees Four Hundred and Ninety-Five Crores) calculated as 1.65x (one point six five times) the Company's pre money net worth as of 31 March 2023, provided the pre money net worth is INR 300,00,00,000 (Indian Rupees Three Hundred Crores) or higher.
- 4.2 If the Company's pre money net worth as per the audited financial statements as of 31 March 2023 is below INR 300,00,00,000 (Indian Rupees Three Hundred Crores), the pre money valuation will be calculated as 1.65x (one point six five times) the pre money net worth of the Company as on 31 March 2023, subject to a pre money net worth floor of INR 182,00,00,000 (Rupees One Hundred and Eighty Two Crore). This implies that the pre money valuation of the Company cannot be below INR 300,30,00,000 (Rupees Three Hundred Crore Thirty Lakh only).
- 4.3 Save as otherwise provided under Applicable Law, the conversion of CCPS into the Conversion Shares shall take place without any additional payment to the Company in accordance with the conversion ratios determined in accordance with this Paragraph 4.
- 4.4 The Conversion Shares issued and allotted shall be fully paid and free of Encumbrances and shall rank pari passu in all respects with the Equity Shares of the Company.
- 4.5 Notwithstanding anything contained in this Paragraph 4, if the terms of conversion of the compulsorily convertible preference shares to be offered in the next funding round of the Company are changed/amended from the terms of conversion of the CCPS being issued under the shareholders agreement dated March 29, 2022 executed by and between the Company, RGVN (North East) Microfinance Limited, Nordic Microfinance Initiative Fund III KS, Matterhorn Projects LLP, Dia Vikas Capital Private Limited, North Eastern Development Finance Corporation Limited and other shareholders of the Company ("**SHA**"), then the conversion terms of the CCPS issued under the SHA shall have to be reset to match those terms. Further, if the next round of funding of the Company is completed at a pre-money valuation of less than INR 300,30,00,000 (Rupees Three Hundred Crore Thirty Lakh only),



then the CCPS holders shall have anti-dilution price protection on a board based weighted average basis.

5. Conversion Procedure

5.1 The Company shall undertake the following actions to issue the Conversion Shares:

- (a) the Company shall ensure that it has sufficient number of authorised and unissued Equity Shares to permit the conversion of the CCPS by the Investors;
- (b) the Company shall convene a meeting of the Board to approve the following:
 - (i) the conversion of the CCPS into Conversion Shares;
 - (ii) issue and allotment of Conversion Shares to the Investors in accordance with Applicable Law; and
 - (iii) issuing instructions to the depository participant of the Company to credit the proportionate number of Conversion Shares into the respective demat accounts of the Investors.
- (c) the Company shall issue duly executed irrevocable instructions to the depository participant of the Company to credit the Conversion Shares into the respective demat accounts of the Investors and provide certified copies of the same to the Investors;
- (d) the Company shall provide a duly certified copy of the beneficiary position statement (BENPOS) from its depository participant reflecting the Investors as the beneficial owner of the Conversion Shares;
- (e) the Company shall comply with the Act in relation to the issuance and allotment of the Conversion Shares, including making all corporate, secretarial, and statutory filing required to be made under the Act within the statutory timelines prescribed under Applicable Laws, and provide certified true copies of the same to the Investors along with the receipt in respect of such filing; and
- (f) All the costs relating to the conversion procedure, including the payment of any stamp duty on the issue of the Conversion Shares, shall be borne by the Company.

6. Restrictions on Transfer

The CCPS and the Conversion Shares shall be subject to the Transfer restrictions as set forth under the Transaction Documents

PART C: Other information:

- proposed time schedule – stated in clause viii of disclosure below
- purposes or objects of offer – stated in clause i of disclosure below
- contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects – NIL. The offer is not proposed to be made to Promoters or Directors
- principle terms of assets charged as securities – NIL / NA.

Following are the disclosures required pursuant to Rule 13 of the Companies (Share capital and Debentures) Rules, 2014:

i. the objects of the issue:

The issue and raising of capital by the company is proposed for meeting the Company's requirement of working capital as well as for general corporate purposes and business expansion.

ii. the total number of shares or other securities to be issued:

29,638 Nos. of Equity Shares of Rs. 16.87 (Rupees Sixteen and eighty seven) each, including premium of Rs. 6.87 (Rupees six and eighty seven) .

5,63,122 Nos. of CCPS of Rs. 16.87 (Rupees Sixteen and eighty seven) each, including premium of Rs. 6.87 (Rupees six and eighty seven).

iii. the price or price band at/within which the allotment is proposed:

The allotment is proposed to be made at Rs. 16.87 /- (Rupees Sixteen and eighty seven Only) per Equity Share and at Rs. 16.87/- (Rupees Sixteen and eighty seven Only) per CCPS..

iv. basis on which the price has been arrived at along with report of the Registered Valuer:

The Price has been arrived at on the basis of the Valuation Report obtained from M/s Dharmesh L Trivedi & Co, Registered Valuers. The same has been annexed to the Notice.

v. relevant date with reference to which the price has been arrived at:

The price has been arrived at as on 31 January 2022.

vi. the class or classes of persons to whom the allotment is proposed to be made:

The proposed allotment of the Equity Shares and CCPS is being made to the Investors as per the table given under point (1) above

vii. intention of promoters, directors or key managerial personnel to subscribe to the offer:

The said clause is not applicable since the offer is not proposed to be made to any promoters, directors or key managerial personnel.

viii. the proposed time within which the allotment shall be completed:

The issue is expected to be completed within 45 days to be calculated from the date of obtaining approval of the Members or in case the allotment on preferential basis requires any approval by any regulatory authority or any statutory body, the allotment of shares will be completed within 45 days from the date of such approvals.

ix. the names of the proposed allottees and the percentage of post-preferential offer capital that may be held by them:

Name of Investor	Number of Equity Shares	Number of CCPS	Total Consideration
M-Swasth Solutions Private Limited	29638	563122	99,99,861.20
Total	29638	563122	99,99,861.20

x. the change in control, if any, in the company that would occur consequent to the Preferential Offer:

After the issue of the Equity Shares and CCPS, there will be no change in control of the Company.

xi. the number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as price:

Nil

xii. the justification for the allotment proposed to be made for consideration other than cash together with Valuation Report of the Registered Valuer:

The issue is not proposed to be made for consideration other than cash.

Following are the disclosures required under Rule 9 of the Companies (Share Capital and Debentures) Rules, 2014:

i. The size of the issue and number of preference shares to be issued and nominal value of each share;

5,63,122 Nos. of CCPS of face value of Rs. 10 (Rupees ten), at Rs. 16.87 (Rupees Sixteen and eighty seven) each, including premium of Rs. 6.87(Rupees six and eighty seven).

ii. The nature of CCPS, i.e., cumulative or non-cumulative, participating or non-participating, convertible or non-convertible;

CCPS shall be Non-cumulative, Non-participating and Compulsory Convertible as per the terms set out in (f) above.

iii. The objectives of the issue;

As stated in (i) in the disclosures under Rule 13 of the Companies (Share capital and Debentures) Rules, 2014

iv. Manner of issue of CCPS;

CCPS shall be issued by way of preferential offer on private placement basis to the identified investors as mentioned above.

v. Price at which such CCPS are proposed to be issued;

5,63,122 Nos. of CCPS of Rs. 16.87 (Rupees Sixteen and eighty seven) each, including premium of Rs. 6.87(Rupees six and eighty seven).

vi. The basis on which the price has been arrived at;

The Price has been arrived at on the basis of the Valuation Report obtained from M/s Dharmesh L Trivedi & Co , Registered Valuers. The same has been annexed to the Notice.

vii. The terms of the issue, including terms and rate of dividend on each share, etc.;

As stated in (f) in the disclosures above under Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014

viii. The terms of redemption, including the tenure of redemption, redemption of shares at premium and if the preference shares are convertible, the terms of conversion;

Redemption is not applicable as the CCPS shall compulsorily convert into equity shares of the Company as per the conversion terms set out above.

ix. The manner and modes of redemption;

Redemption is not applicable.

x. The current shareholding pattern of the company;

Sl. No.	Name of Shareholders	No. of Equity shares	No of Compulsorily convertible Preference Shares
1	RGVN (North East) Microfinance Ltd,	29,33,84,395	0
2	Mr. Ranjit Goswami,	100	0
3	Mr. Saneesh Singh	100	0
4	Mr. Brij Mohan PAN	100	0
5	Ms. Rupali Kalita	100	0
6	Mr. Gunajit Bayan	100	0
7	Mr. Pranjal Pratim Goswami	100	0
8	Dia Vikas Capital Private Limited	2,96,384	56,31,298
9	North Eastern Development Finance Corporation Limited,	2,96,384	56,31,298
10	Matterhorn Projects LLP	1,18,554	22,52,518
11	NORDIC MICROFINANCE INITIATIVE FUND III KS	2,96,384	56,31,298
12			
	Total	29,43,92,701	1,91,46,412

xi. The expected dilution in equity share capital upon conversion of preference shares.

As stated in (f) the disclosures above under Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014

The proposed Special Resolution in relation to the same has been provided in the Notice.

The Directors of the Company or any of the relatives of Directors are not concerned or interested financially or otherwise.

The Special Business does not relate to or affects any other company or entity in which the Director or Promoter of the Company is interested.

The Documents are available for inspection at the Registered Office of the Company during working hours.

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

Place: Guwahati
 Date: 25/08/2022

Rupali Kalita
 Managing Director & CEO

NORTH EAST SMALL FINANCE BANK LIMITED

(CIN: U65100AS2016PLCO17505)

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

 Website: www.nesfb.com, Email:

contact@nesfb.com Phone No: +91 361 7180001,

6th ANNUAL GENERAL MEETING- FRIDAY, SEPTEMBER 23, 2022 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 6th Annual General Meeting of the Company at Board Room, 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati-781028 on Friday, September 23, 2022.

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

Strike out whichever is not applicable.

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

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FORM NO. MGT – 11
PROXY FORM

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

North East Small Finance Bank Limited

(CIN: U65100AS2016PLCO17505)

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

Basisthapur, Bye lane No:3, Guwahati-781028

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

Phone No: +91 361 7180001,

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

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

1. Name:.....
 Email id:.....
 Address:.....
 Signature:..... Or failing him/her
2. Name:.....
 Email id:.....
 Address:.....
 Signature:..... Or failing him/her

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 6th Annual General Meeting of the company, to be held on Friday, September 23, 2022 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, 2022 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.		
3	To appoint a Director in place of Ms. Smriti Chandra (DIN: 07644331) who retires by rotation and, being eligible, offers herself for re-election.		
Special Business			
4	To Approve the Appointment of Dr Gautam Barua as an Independent Director in the Board of NESFB for a period of 3 years till June 29th 2025		
5	To Approve the Appointment of Mr Manas Kumar Bid as a Nominee Director of NESFB		
6	To Approve the Appointment of Mr Pradeep Kumar Nath as Nominee Director of NESFB		
7	Approving the Offer and Issuance of Equity Shares and CCPS on a private placement basis		

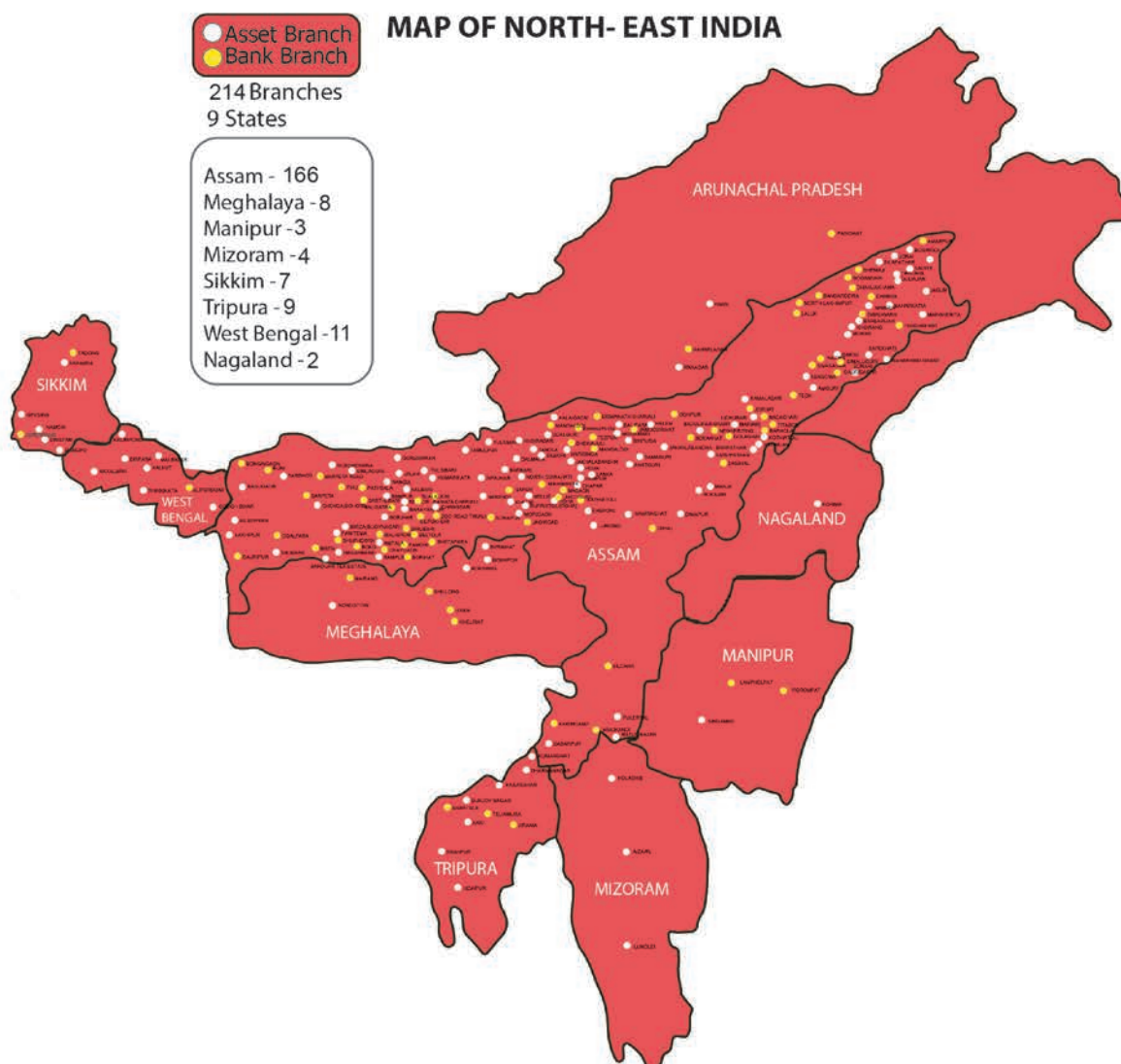
Signed this day of 2022.

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.

OUR PRESENCE



STATES, CAPITAL AND THEIR AREA

States	Capital	Area
Assam	- Dispur	78,438 Sq. Km
Arunachal Pradesh	- Itanagar	83,743 Sq. Km
Nagaland	- Kohima	16,579 Sq. Km
Manipur	- Imphal	22,327 Sq. Km
Tripura	- Agartala	10,486 Sq. Km
Meghalaya	- Shillong	22,430 Sq. Km
Mizoram	- Aizawl	21,081 Sq. Km
Sikkim	- Gangtok	7096 Sq. Km
West Bengal	- Kolkata	88,752 Sq. Km



North East Small Finance Bank Limited
1st & 3rd Floor, Fortune Central
Basisthapur , Bylane - 3
Beltola, Guwahati, Assam - 781028
Toll Free Number - 1800-121-1905

