



A new beginning

ANNUAL REPORT

2017-18



North East
Small Finance Bank
Your Doorstep Banker



OUR VISION & MISSION



VISION

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

MISSION

“Preferred banker for all financial needs by providing suitable products and services in a timely, convenient, and responsible manner, through doorstep banking and use of technology, thereby leading to sustainable growth of the community at large.”



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AN ALMANAC

2016-2017

Based on the in-principle approval received from RBI on 7th October, 2015, vide its letter no. DBR.PSBD. NBC (SFB-RGVN). No. 4919/16.13.216/2015-16, we registered a Public Limited Company by the name North East Small Finance Bank Limited on 25th July, 2016.

RBI vide its letter no. DBR. Appt. No. 4351/29.44.008/2016-17 dated 17th October, 2016 approved the directorship of Ms. Rupali Kalita, Mr. Deep Chandra Joshi and Mr. Ranjit Goswami on the Board of North East Small Finance Bank.

Received the Small Finance Bank License bearing License No. MUM 132, from RBI on 31st March, 2017.

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2017-2018

Accorded the approval to participate in the Centralised Payment System, viz RTGS and NEFT vide its letter no. DPSS.CO.OD. No.3169/06.07.006/2016-17 dated 12th May, 2017 alongwith our three digit bank code. The Bank code allocated to us is 773 while the Alpha Code is NSF.

RBI vide its letter no. DBR. Appt. No. 15225/29.44.008/2016-17 dated 23rd June, 2017 approved the directorship of Mr. Gautam Barua, Mr. Robert Douglas Dunn, Mr. Njord Andrewes and Ms. Sutapa Banerjee on the Board of North East Small Finance Bank.

RBI approved the appointment of Ms. Rupali Kalita as the MD & CEO of North East Small Finance Bank for an initial period of 3 years vide its letter no. DBR. Appt. No. 1269/29.44.008/2017-18 dated 7th August, 2017.

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Commenced operations as North East Small Finance Bank from 17th October, 2017 after the successful transfer of the lending business of RGVN(NE)MFL to NESFB through Slump Sale.

At the close of the FY 2017-18, we have a network of 155 branches which includes 20 bank branches and 135 micro asset centers, with business spread across 8 states, which includes 7 North Eastern states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Nagaland, Tripura and Sikkim) and the state of West Bengal, touching and improving the lives of over 5.21 lakh clients as on 31st March 2018.

We successfully clocked a liability business of Rs. 125.31 Crore as on 31st March 2018. The annual disbursement for the FY 2017-18 touched Rs. 1124.48 crores with loan outstanding at Rs. 1082.40 Crores; on time repayment 98.91% and PAR > 30 days being 0.98%.

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FROM THE DESK OF THE MANAGING DIRECTOR & CEO

It gives me immense pleasure in presenting the Annual Report of North East Small Finance Bank. With profound happiness I would like to inform that the FY 2017-18 has been a truly rewarding year in several ways, especially with the organization commencing its banking operation on 17th October, 2017.

It is indeed overwhelming that a journey we had set out 23 years back, in the year 1995, to provide financial and other support services to the underprivileged sections of the society in North East, has today culminated into North East Small Finance Bank, the first Small Finance Bank from North East.

The objective of Small Finance Banks being accomplishment of financial inclusion, we at NESFB have decided to dedicatedly work in making the North Eastern corner of the country, a "Financially Included" region, before spreading our operations to the rest of India.

Our journey from RGVN(NE)MFL, an NBFC-MFI to North East Small Finance Bank now, has been possible only because of the hard work and dedication of our staff, nurtured and developed by the able guidance of the board of directors and supported by the confidence of our investors.

I am happy to apprise that as on the close of the FY 2017-18, we have our footprints spread over 8 states, which includes 7 states from North East viz. Assam, Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Tripura & Sikkim and the North Bengal region under the state of West Bengal. As against 139 branches in the previous year, we have expanded our operations to 155 branches in the FY 2017-18, which included 20 SFB branches and 135 Micro Asset Centres. We have also seen a growth of about 28% in our client base, which grew from 4.07 Lakh in the previous financial year to 5.21 Lakh in the FY 2017-18.

While it has been an extremely eventful year for the organization, the final icing on the cake was however our business on the field; amidst all odds and inspite of all the transformation and post bank implementation challenges, our field/branch staff continued to remain focused on achieving higher business for the organization resulting in an asset

"To succeed in your mission, you must have single-minded devotion to your goal"
- APJ Abdul Kalam

book size of Rs. 1082.40 Crore as against Rs. 688 crores in the previous financial year; thus clocking a 58% increase over the previous year. We have, as always, laid immense importance on improving the quality of our Assets, which had received a set back with the demonetization announcement in the previous financial year. With the dedicated efforts of our field team, we managed to clock a Profit After Tax (PAR >30 days) of 0.98% and an on-time repayment rate of 98.91% as against 1.09% and 98.20% respectively, in the previous financial year.

We also had our first tryst with deposits in the FY 2017-18. From the date of commencing banking operations to the close of the financial year 2017-18, we clocked a liability book size of Rs 125.31 Crore.

Further, it gives me immense pleasure in announcing that with the concerted effort of the entire NESFB team, we could achieve a Profit after tax (PAT) of Rs. 22 crore in the FY 2017-18; a truly remarkable feat despite of the transformation process from RGVN(NE) MFL to NESFB including the challenges and cost involved.

While we did have moments to rejoice, it was not devoid of challenges especially in the post transformation phase of the bank, with technology and connectivity issues in the North Eastern region. However, with the regular guidance of the competent Board of Directors, confidence of all our investors and enthusiasm and dedication of a qualified and experienced team in place, we have been able to overcome all the challenges that have come our way. All in all, it was a truly remarkable year, wherein we have stumbled and fallen many a times but have learnt from our mistakes and come out victorious.

As I conclude, I take this opportunity to thank all our

investors for their continuous belief and confidence in the organization, especially during the testing times. I also take this opportunity to thank all our Board Directors for extending their untiring support at all times, for guiding us and for being our pillar of strength throughout this transformation journey and even after.

While congratulating all our legacy employees for their achievements in the FY 2017-18, I would also take this opportunity to welcome all the new recruits from the banking industry to NESFB. With proper assimilation of this two set of people, two cultures, two different set of experiences and expertise, I can see NESFB as an organization which is unique in terms of its client centricity, business model, service delivery and products; an organization which shall be known to be the First Small Finance Bank of North East.

I would also like to reiterate to all my colleagues that with us transforming into North East Small Finance Bank, we now have to shed the baggage of the past; welcome and brace the changes with an open mind and thus be prepared to face newer challenges by tapping each and every opportunity that come our way with more zeal and fervor.

I would like to congratulate each and every staff for all that we have achieved so far and urge the team to continue the good work.

Lastly, I would like to conclude by quoting Charles Darwin, that **"It is neither the strongest of the species that survives, nor the most intelligent ones, it is the one that is most adaptable to change that survives"**.



COMPOSITION OF THE BOARD OF DIRECTORS AS ON MARCH 31, 2018

Sl. No	Name	Designation	Nationality
1	Mr. Deep Chandra Joshi	Independent Director	Indian
2	Ms. Rupali Kalita	Managing Director & CEO	Indian
3	Ms. Sutapa Banerjee	Independent Director	Indian
4	Mr. Ranjit Goswami	Independent Director	Indian
5	Mr. Gautam Barua	Independent Director	Indian
6	Mr. Njord Andrewes	Nominee Director	Norwegian
7	Mr. Robert Dunn	Nominee Director	Australian

PROFILE OF THE BOARD OF DIRECTORS



Mr. Deep Chandra Joshi
Independent Director

Mr. Joshi, a recipient of Magsaysay award in 2009 and Padma Shri in 2010 is an independent development consultant and part-time CEO of a Charitable Trust. He is the co-founder of PRADAN, a renowned national NGO, where he worked as an Executive Director. He was also the Director HR and Director Finance for over two decades until his retirement in 2007. He had worked as a Program Officer in the Ford Foundation in Delhi; as a Senior Systems Analyst in Systems Research Institute in Pune; and as a Lecturer of Mechanical Engineering at MNNIT Allahabad. He took his engineering degree from MNNIT Allahabad and also holds Master Degree in Engineering from MIT and an MBA from Sloan School of Management MIT. Mr. Joshi earlier chaired the Boards of the Institute of Rural

Management Anand, the National Foundation for India and the Rajiv Gandhi National Institute for Youth Development and served on the boards of IIM Kashipur and several development NGOs.

Mr. Joshi has extensive experience of SHGs and was associated with the SHG-Bank Linkage Program in the course of his work in PRADAN. He is one of the Promoters of Bhartiya Samruddhi Investments and Consulting Services Limited (BASICS). He has served as a Director of Microfinance NBFCs and as Chairman of a Local Area Bank. Mr. Joshi has over 30 years experience of rural development, especially in rural livelihood promotion. He had conducted extensive field work in the course of reviewing development projects (NERCORMP and MLIPH) financed by the International Fund for Agriculture Development (IFAD) in Assam, Meghalaya and Manipur States on a yearly basis since 2011 and had conducted extensive fieldwork in the course of designing Rural Livelihoods Project for Meghalaya being financed by IFAD.



Ms. Rupali Kalita
Managing Director & Chief
Executive Officer

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

She is an experienced development banker with an experience of over 36 years in the Banking and Financial Services sector. She has 20 years of experience in Retail Banking in Langpi Dehangi Rural Bank during her tenure as Senior Manager in the bank and 16 years of experience in working with the base of the pyramid people, providing them financial and other support services to alleviate them from poverty. She had been heading RGVN(NE) MFL, an NBFC-MFI as the Managing Director since its inception and until its transformation into North East Small Finance Bank Ltd on 16th October, 2017. Ever since she has been at the helm of affairs of North East Small Finance Bank as the MD & CEO of the Bank.

Ms. Kalita, has to her credit a degree from Boulder Institute of 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 completed a certificate course on Strategic Leadership in Financial Inclusion in HARVARD, USA in March 2016.

Ms. Kalita joined the RGVN Society to head its microfinance programme in 2004 and was instrumental in successfully turning around the operations of a loss making RGVN-CSP into a profitable NBFC within a period of 1.5 years by streamlining the existing processes, instilling financial discipline and boosting the staff morale. She was instrumental in reducing the Portfolio at Risk (> 30 days) from a whopping 23% to 0.98% in FY 2017-2018 and also in reaching out to a total of 5.21 Lakh clients during the same period as against 30,939 in 2004. The expansion of outreach of the North East Small Finance Bank to 8 states, with a network of 155 branches in 2017-18 and the consistent growth in the business with a total portfolio outstanding of Rs. 1082 crore as on March 31st, 2018 as against Rs. 40 Lakh in 2005, has only been possible under her direction and guidance.

Under her able leadership, RGVN(NE)MFL was awarded the "Microfinance Organization of the year" in 2016. It is by dint of her hard work and dedication that RGVN(NE)MFL, which was once a loss making organization, had undergone two major transformation within a span of a decade. It is under her guidance and for her persistent efforts that RGVN(NE)MFL was awarded the coveted Small Finance Bank license on 31st March 2017 and had eventually transformed into North East Small Finance Bank, the 1st Small Finance Bank from North East on 16th October, 2017.

She has been working for the empowerment of the under privileged women in rural and urban sector through financial intermediation by persistently encouraging them to build up their confidence and to emerge as successful entrepreneurs.



Mr. Gautam Barua
Independent Director

Mr. Gautam Barua is currently the Director of Indian Institute of Information Technology, Guwahati and Professor of Computer Science and Engineering. He was the Director of IIT Guwahati from 2003 till 2013 and is currently

on deputation from there. He was also the officiating Director of NIT Silchar during 2003-2005, and the Mentor Director of IIT Patna in 2008-09. He was at IIT Kanpur from 1982 till 1995. He graduated from IIT Bombay with B.Tech and M.Tech degrees in Electrical Engineering. He obtained a PhD degree in Computer Engineering from the University of California, Santa Barbara, USA in 1981. His areas of interest are Operating Systems and Networks. He is an IT consultant to the Government of Assam and to a number of public enterprises.



Ms. Sutapa Banerjee
Independent Director

Sutapa Banerjee has spent 24 years in the financial services industry across two large multinational banks and a boutique Indian Investment bank, building and heading several businesses. A well-recognized

thought leader in the Wealth Management space, having successfully built the Private Wealth businesses in two organizations, Sutapa has received accolades both within the country and internationally including being amongst the 'Top 20 Global Rising Stars of Wealth Management' (Institutional Investor Group in 2007). In 2012 she was shortlisted in the '50 most Powerful Women' by Fortune India.

Currently she serves as an Independent Director on the boards of several companies in the JSW, IL&FS,

Women's World Banking Groups and Oxfam India among others. She is a Visiting Faculty with IIM Ahmedabad co-creating and co-teaching an elective titled 'A Gender Lens on Corporate Policies' - a first for any business school anywhere. She also works as a Business Coach for senior leadership talent and consults in the Wealth and Investments area for the Gerson Lehrman Group.

Ms. Sutapa is an Advanced Leadership Fellow (2015) at Harvard University. Her study was on Cognitive Errors and Biases in Decision-making and its applications on Corporate Policies and Practices. She teaches, trains, writes and speaks actively on the subject both internationally and within India. A member of the CII National Committee on Integrity and Transparency in Governance, she also serves on the Advisory Panel of the 'India Responsible Business Forum.



Mr. Ranjit Goswami
Independent Director

Mr. Goswami had joined SBI as Probationary Officer in 1975 and had retired in 2014 as CGM[HR] from the SBI Corporate Centre in Mumbai. He has worked in

wide range of assignments covering entire gamut of banking operations in different parts of India and also abroad. His critical areas where he has gained expertise include Treasury, Credit Dept., Rural Development, Banking Operations, HR and Inspection.



Mr. Robert Douglas Dunn
Nominee Director (Dia
Vikas Capital Pvt. Ltd.)

Robert Dunn has been the Chief Executive Officer and Director of Opportunity International Australia since August 2008, having joined the organisation in November 2006 as Chief Financial Officer. Robert is also a Director of Opportunity's Indian subsidiary, Dia Vikas Capital, which manages the provision of microfinance services in India. Since 2008 Dia Vikas has invested or lent to local microfinance institutions who serve over 3 million

clients in India.

Part of a global network, Opportunity has programs in more than 20 of the world's poorest countries. Using innovative financial solutions and training, it empowers people living in poverty to transform their lives. Robert serves on the Boards of the Port Authority of New South Wales and Logosdor Limited. Prior to joining Opportunity, Robert was the Finance Director with Patrick Corporation for 14 years. He is a member of the Australian Institute of Company Directors and of Chartered Accountants Australia and New Zealand.



Mr. Njord Andrewes
Nominee Director (Nordic
Microfinance Initiative AS)

Mr. Njord Andrewes is an Investment Director in NMI. Prior to joining NMI, Mr. Andrewes was a Senior Equity Research Analyst at Lazard Capital Markets. Before Lazard, Mr. Andrewes was an Equity

Research Analyst at Janney Montgomery Scott, LLC. He began his career at Robertson Stephens in Sales and Trading. Mr. Andrewes received an MBA in Finance from the Kelley School of Business at Indiana University, and a B.A. in Economics from Hope College. He has been associated with NESFB since June 2017.



KEY MANAGERIAL PERSONNEL

Ms. Rupali Kalita Managing Director & CEO (KMP)



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Mr. Mukesh Singh Verma
Company Secretary & Chief
Compliance Officer (KMP)



He has more than 13 years of professional experience in the domain of Secretarial Corporate Law Compliances, Corporate Legal and Corporate Governance framework of Companies while working with reputed corporate houses like DLF Group, Eastman Group, GMR Group, Himachal Fibres Limited & AU Small Finance Bank Limited. He has extensive knowledge & expertise in SEBI/IPO & RBI related Compliances / Corporate structuring matters for transformation into Banking Business of SFB. He is a Commerce Graduate with Honors, Fellow Member (FCS) of the Institute of Company Secretaries of India (ICSI), New Delhi and a Member (MCSI) of Chartered Institute for Securities & Investment, (CISI) London. Recently he has also completed and passed certification on "Integrity Matters" at work in financial Services from Chartered Institute for Securities & Investment, (CISI) London.

Mr. Surya Narayan Patro
Acting Chief Financial Officer
(KMP)



He is a Fellow Member (FCMA) of Institute of Cost Accountants of India, (ICAI) and is at final level of Chartered Accountancy (CA) curriculum. His qualification also includes a Master in Philosophy (Commerce), Post Graduate in Commerce, Commerce Graduate with Honors and a Graduate in Law. His rich experience with Banking and Financial Services Institutions (BFSI) spans more than 15 years with core expertise in strategic financial planning and management, financial analysis and reporting, Management reporting, Planning & Budgeting, regulatory compliances, Fund raising and tax optimization. His extensive experience in Finance and Accounts (F&A) includes leading roles in various reputed financial service sectors, namely Kotak Mahindra Bank Limited, ING Vysya Bank Limited and Shriram Investments Limited.

SENIOR MANAGERIAL PERSONNEL

Mr. Gunajit Bayan Head Micro Banking



Mr Gunajit Bayan has been associated with the organization, since its inception. He is responsible for overall operations of the organization and implementation of Strategic Business in line with organization's vision.

He has attended trainings on Microfinance, Process Maps, Risk Management and Intellectual Development. He is a member of the Purchase Committee, Risk Management Committee and ALCO of the organization. He is also an honorary Chairman of Socio Economic Development Center, an NGO from Barpeta, which works in the area of community development for Assam Jewellery artists. His past experience includes promotion of SHGs, SHG Federation, promotion and development of voluntary organizations engaged in economic development of the rural mass, heading NGO development operations at Nagaland, Manipur, Meghalaya and Assam. He has extensive experience of working in the North Eastern region and understands the peculiarities of running operations in the region.

Mr. Pritesh Nath Head Business



Mr. Pritesh Nath has joined North East Small Finance Bank as the Business Head of the organization. He is a post graduate in Marketing & Business Finance and a bank management professional with 19 years of proven

expertise in Marketing, Business Development, Customer Relationship Management, HR & Administration functions. He has been assigned in leading companies across Banking sector and have consistently given super-lative performances and achieved targets across assignments. He has established new branches, expanded marketing networks, developed product brands as also handled marketing of banking, investment and financial products in the North Eastern Region of the country.

He has also discharged human resource management functions, managed overall administration of branch clusters, and coordinated & maintained relationships with SLBC members & government authorities. He has also assisted in audit of branches and ensured adherence to audit guidelines and procedures.

Mr. Sabyasachi Ray Choudhury Chief Audit & Chief Vigilance Officer



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

He has worked with ANZ Grindlays Bank, Standard Chartered Bank, ING Vysya Bank and Kotak Mahindra Bank in various capacity.

Before joining this organization, his last stint was with Kotak Mahindra Bank as a Vice President. He is a post graduate and an alumni of XLRI, Jamshedpur."

Mr. Tridip Sarmah Chief People Officer



Mr. Tridip Sarmah has 31 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, 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. P.C. Dean Head Treasury



Started his career as a Bank Probationary officer in 1994 through all India bank competitive Examination. Worked in various Indian Banks and Multinational banks across pan India in the areas of Bank Treasury Front Office/Treasury Back Office/Treasury Mid Office & Risk Management/Payment Systems like RTGS/NEFT/SFMS/IMPS/SWIFT, Compliance and Risk Management. The work exposure includes Money Markets, Foreign Exchange Markets, Capital Markets and Derivative Markets. He has a total experience on hand experience of 25 years in various Indian and Foreign Bank Treasuries.

He had previously worked as Vice President in Integrated Treasury in the Multi National Japanese Bank Sumitomo Mitsui Banking Corporation, New Delhi, from 2012 to 2016 and built the Foreign bank Treasury for the new licensed bank based at New Delhi.

Prior to that, he had worked with Development Credit Bank, Mumbai as Associate Vice President, Treasury Department and had also worked with various banks like, Dhanlaxmi Bank as Chief Manager Treasury, Centurion Bank of Punjab as Senior Manager Treasury and HDFC Bank as Finance Manager.

Mr. A.M. Saquib Chief Technology Officer



A B.E. in Electronics and telecom, Mr. Saquib spearheaded project operations with key focus on defining Service Level Agreements (SLA's), Standard Operating Procedures (SOP's) as well as interacting with prestigious clients, business partners, industry leaders, vendors & other key stakeholders with domain expertise in BFSI industry. He was handpicked by Government of India (Ministry of Finance) to lead the project of establishing Bharatiya Mahila Bank Ltd. from scratch and as Head of IT Department. He had recommended and enforced IT procedures

and standards for adherence of project output to audit in compliance with banking regulations and guidelines. He has managed technology deliverables under a challenged environment of operating with legacy and obsolete systems with under-invested technology; possess knowledge of BFSI, UIDAI, CMS, AML, CBS (TCS Bancs and FIS Profile), SFMS and Payment System. He is a subject Matter Expert with exceptional skills in managing delivery frameworks and new technology implementation projects for streamlining related activities as per quality standards.

His skill sets includes Project Delivery Management, Technology Planning, Subject Matter Expert, Resource Development & Management, Business Process Re-engineering, Client Engagement (Business/ Stakeholder), Strategy Consultation, Database Management, Trainings and Development.

PARTNERS IN GROWTH

Funders

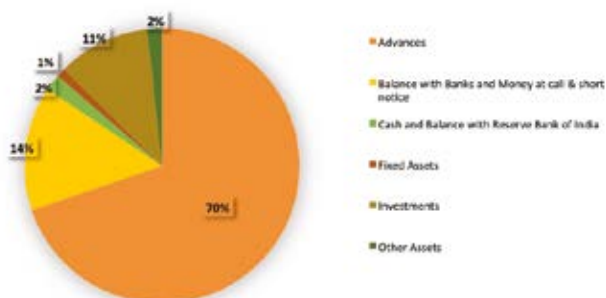


NCDs



FINANCIAL HIGHLIGHTS

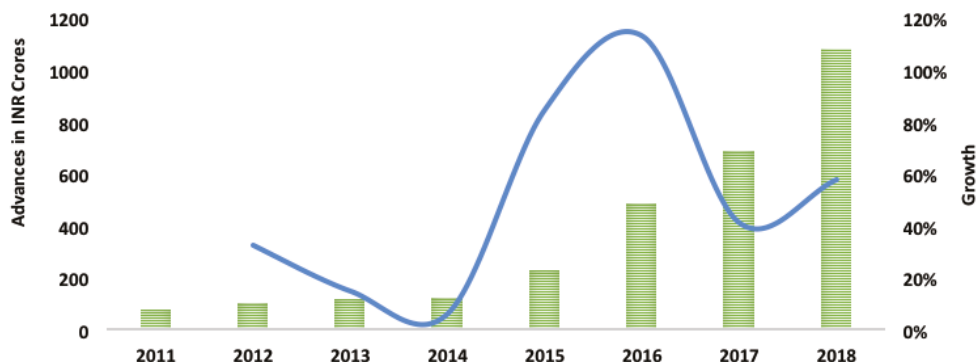
ASSET COMPOSITION



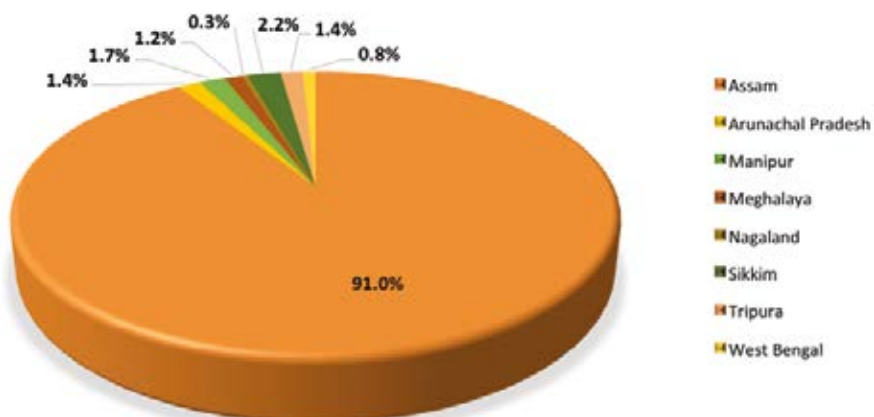
NET WORTH



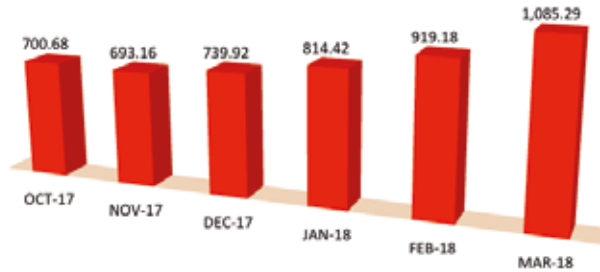
ADVANCES AND GROWTH



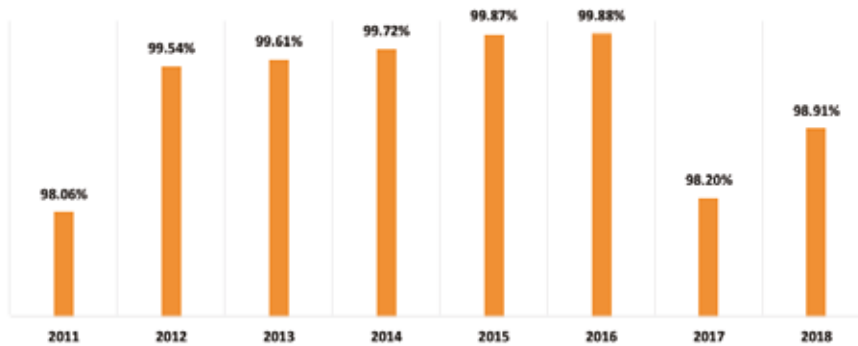
ADVANCES IN NORTH EASTERN STATES



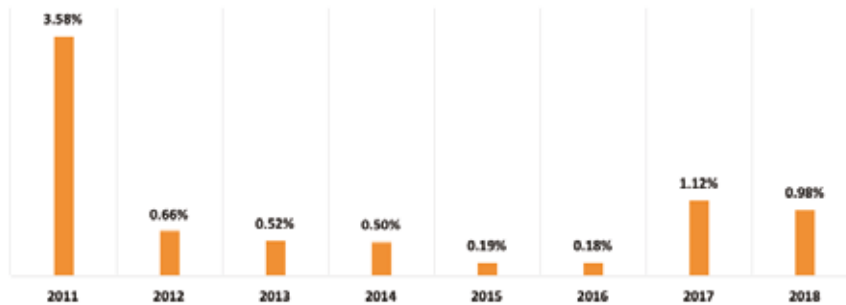
MONTH ON MONTH ADVANCES



ON TIME RECOVERY RATE

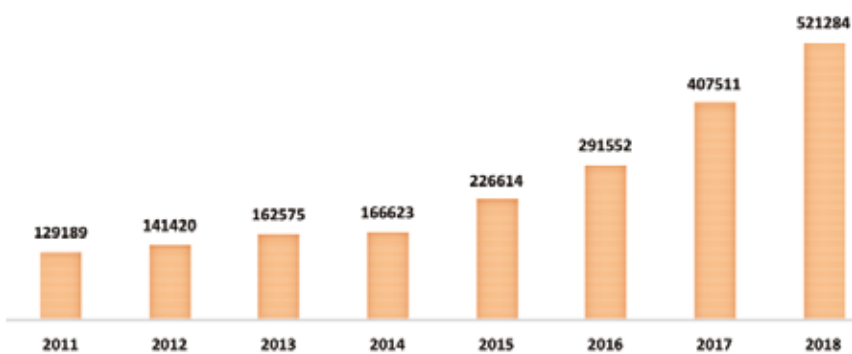
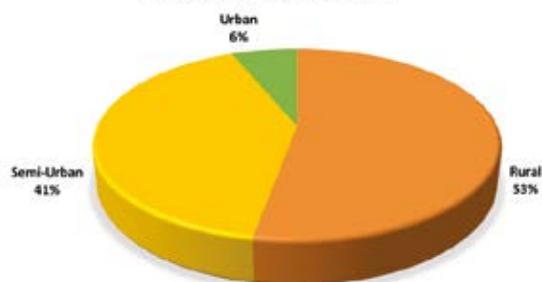
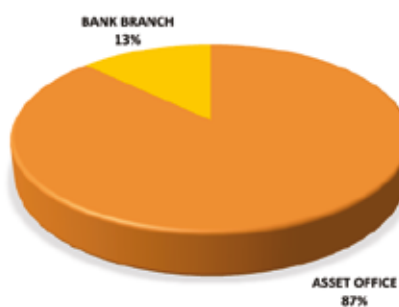


PORTFOLIO AT RISK >[30 DAYS]



GROSS AND NET NPA



FINANCIAL PERFORMANCE**NUMBER OF BORROWERS****BRANCH CLASSIFICATION****AREA WISE EXPOSURE %**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FY 2017-18 has been a fruitful year for North East Small Finance Bank Limited, it has commenced the Banking operation on October 17, 2017. Despite the operating cost of transformation, the year ended on a profitable note.

Key highlights of financials are presented as below

(Rs in '000)		
Particulars	FY 2017-18	FY 2016-17
Interest income	963,163	348
Other income	81,636	
Total income	1,044,799	348
Expenditure		
Interest Expended	521,757	-
Opening Expenses	280,642	26
Provisions and Contingencies	19,073	96
Total expenditure	821,472	122
Net Profit After Tax	223,327	226
Profit Brought Forward	181	-
TOTAL	223,508	226
Transfer to Statutory reserve	55,832	45
Balance Carried to Balance Sheet	167,676	181
TOTAL	223,508	226
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	1.15	0.03
Diluted	1.15	0.03

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS

PRODUCTS

LIABILITY PRODUCTS - SNAPSHOT

1. SAVINGS ACCOUNT:

a) Basic Savings Bank Deposit Account – Small

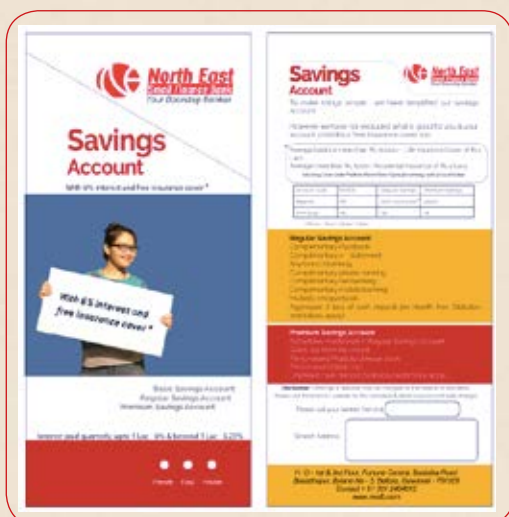
- Features - RBI mandated liberalised KYC
- Cap on transactions - (4 withdrawals across all channels & maximum Rs. 10000/-per month)
- Cap on total aggregate credit at Rs. 1 lac per year
- Only Rupay card is issued
- No minimum balance & maximum credit balance Rs. 50000/-
- Account valid for 12 months
- Thereafter full KYC is to be captured & cus-

tomers to be migrated to BSBDA

- Customer can open only one account in one bank
- Foreign remittance inflow not allowed

b) Basic Savings Bank Deposit Account

- No minimum balance account
- Complete KYC
- No cap on balance
- No. of withdrawals restricted to 4 per month. thereafter Rs. 20/- per transaction
- Rupay Card
- Cheque book, if requested
- No validity restriction
- No restriction on cash deposit amount/no. of times.
- Pan/Form 60-61 for cash transaction of Rs. 50000/- and above
- Cheque Book & Debit Card available



c) Savings account – Regular

- Standard savings account with average quarterly balance of Rs. 500/1000/2000* (rural/semi urban/urban)
- Rupay card & cheque book - on boarding by insta kit
- Comfortable fees structure
- Higher interest rates
- Low average balance - Urban Rs. 2000/-, semi urban Rs. 1000/- & rural Rs. 500/-
- Lower fee for services
- Low non-maintenance fees - Rs. 150/- per quarter
- Deviation possible post approval

d) Savings Account - Salary

- No minimum balance salary savings account
- Can be offered to a group of 5 salary earning members
- Comfortable fee structure and 3 remittances free per month
- Personal & consumer loan on check off
- Zero balance account
- Group size as low as 5 members
- 3 free remittances (DD/NEFT/RTGS/IMPS)

e) Savings account – Premium

- Differentiated product offering
- Average quarterly balance kept at Rs. 25000/-*
- Free 5 remittance
- Personalised Rupay card & cheque book
- 5 free remittances (DD/RTGS/NEFT/IMPS)

*Deviation post approval

f) Savings Account – Institutional

- No minimum balance account
- Negligible charges
- Free remittances

2. CURRENT ACCOUNT:

a) Current Account – Normal

- Average monthly balance of Rs. 2500/- and Rs. 5000/- (Rural & urban)
- 2 DD & 2 RTGS/NEFT free per month
- Rationalised charges
- Free cash deposit upto Rs 3 Lacs thereafter @ Rs. 2.5 per month per thousand

b) Current Account – Plus

- Average monthly balance is Rs. 5000 & Rs. 10000 (rural & urban)
- 5 DDs & 5 NEFT/RTGS
- Rationalized charges
- Free cash deposit upto Rs.5 lacs thereafter @ Rs. 2.5/- p.m. per thousand

c) Recurring Deposit

- Monthly
- Fortnightly
- Low minimum Instalment of Rs. 100/- & multiples of Rs. 50/-
- Convenience of choosing the frequency and mode of deposit - standing instruction, over the counter or doorstep
- 1% pre-payment penalty



d) Recurring Deposit – Child Education

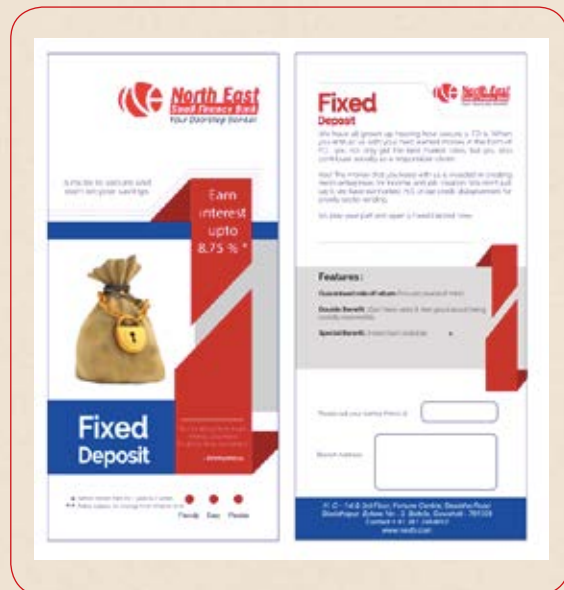
- Theme based with differentiated collaterals for specific family needs for education fund
- Instant loan up to 80%.
- 1% pre-payment penalty

e) Daily Deposit Scheme

- Real time daily deposit at customer's place of work
- Convenience of small deposit minimum Rs. 100/- and multiples of Rs. 50/-
- Loan available upto 80% of deposit instantly.
- Compulsory SB account

f) Fixed Deposit

- Option of interest payout monthly, quarterly, half yearly, yearly & on maturity
- Minimum Principal Amount kept at Rs. 1000/- for larger participation
- 1% pre-payment penalty
- Reinvestment, where the interest is applied to the account every quarter. So the customer earns more as his principal is increased every quarter



g) Loan against Fixed Deposit

- Available as both overdraft & term based
- Instant loan against NESFB Fixed Deposit/ Recurring Deposit & Daily deposit
- 80% of clear balance in the deposit balance not exceeding the tenor of deposit
- Separate OD account, where customer pays interest on only overdrawn amount, per day basis.
- No interest is paid on credit balance
- Loan account can be left open, so customer can use it whenever required
- Loan account tenure/ validity should not exceed the maturity date of the deposit
- ROI : 2% + deposit rate

ASSET PRODUCTS- SNAPSHOT**1. Enterprise Development Loan (MSME)**

- Loan for entrepreneurial activity or expanding existing business.
- Loan size Rs. 10000/- to Rs. 500000/-
- Tenure 24 months, 36 months, 60 months
- All business activities eligible unless under negative list
- Loans in 3 stages Rs. 10000 - Rs. 100000, Rs. 200000 - Rs. 300000 & Rs. 300000 - Rs. 500000
- Easy documentation
- Scorecard for ease of evaluation at ground level

2. Home Improvement Loan:**Eligible customer:**

- Loan upto Rs. 2 lacs to existing MF customer base with good track record
- Loan upto Rs. 2 lacs to NESFB salary account holders with check-off facility
- Tenure: upto 5 years
- Repayment: Monthly
- Scorecard for ease of evaluation at ground level

Objective:

Deliver timely credit to deserving customers for construction or renovation of dwelling, construction of toilet etc

3. Small Commercial Vehicle Loan:**Feature:**

- Finance of new Small Commercial Vehicle

Objective:

- Income generation at sub-urban and rural areas

Conditions:

- Maximum: Rs. 600000/-
- Age: 21 to 65 years (age at maturity should not exceed 65)
- Tenure: 5 years
- LTV: 80%

4. Short Term Agri & Allied Activities Loan:

- Advance for cultivation of seasonal crops including mushroom
- Designed to deliver timely credit as per crop cycle
- Wide range of crops included with crop specific scale of finance
- Maximum: 200000/-
- Tenure: 6 months



HUMAN RESOURCE

HR VISION

A Learning Organization-all aspire to join

- Employee friendly HR practices- best in class in SFB
- Robust training process

To materialize the above vision, we have undertaken the following actions, a brief note of the success achieved so far are captured in the following headings:

Road Travelled

Recruitment Snap shot: Total 494 new recruitment took place during the period for the positions of BH, ABH, SWO, Manager-Asset, BDE-A, BDE-L, Manager-Liability, Officer Asset, Zonal IT,

Top Position Closure: Critical positions closed like CFO, Business Head, Chief Risk Officer, CTO, Head Admin, Head – Employee Engagement, Head-Infra, Head Insurance, Head IT Application, Head-Talent Aquisition, Head - Talent Development, Head – Talent Management, etc.

Training Details

Banking Training: 1025 employees participated in 45 different training programs conducted by IIBM and Agama Educon. Training topics covered are Basic banking, Credit and NPA management, Compliance etc.

Strategy workshop: A Strategy workshop was conducted covering the local Leadership Team to formulate the business strategy for the year. The team sat together and did a SWOT analysis along with action plan to meet the strategy.

PMS roll out: KRA and KPI were distributed to the employees. Half yearly review is planned in the month of November 2018. Intimation of the half yearly review and process matrix is circulated to all the department heads.

Leadership Workshop: Leadership workshops were also organized to ascertain the strength and rooms for improvement of the Leadership Team. A clear set of actionable came out through deliberation among the team which is signed off for execution.

Employee Engagement: Employee Engagement activities have started at the HO as a pilot plan, Birthday celebration, Festival celebrations are the way of life at HO now, we have plan to roll out to the zones as well.

Employee Retention Policy: To make NESFB a good place to work with employee friendly HR schemes; ESOP, Car Scheme, Uniform pay roll, Salary revision for Senior level employees, CEP, Deferred Joining Bonus scheme, fixed increment to Performance pay etc. were put in place as part of employee retention policy.

Staff Rotation: 254 employees were rotated during the year which will continue for wider exposure of employees as well as keeping compliance in mind.

HR Policies: Required HR policies are in place for the welfare of the employees.

Way Forward

Recruitment:

To complete the exercise of opening 80 branches and beyond with proper manpower planning, we have the following recruitment plan in place:

BH	: 102
ABH	: 106
SWO	: 213
LO	: 218
CO	: 167
Total	: 806

Training Prospect

Skills Building:

1. We are in the process of training the remaining employees on CBS, Product and Process
2. Repeat Course Training for existing 1200 employees for new product and compliance

Competency Building:

Competency building workshop will be a major task based on 5 identified competencies covering all employees during the year. Targeted employees 2200 by December, 2019.

Mission, Vision and Value based workshop:

Culture building exercise will be another thrust area for the year.

PMS and HRMS awareness workshop:

HRMS and PMS roll out done. Hand holding exercise began and will continue.

Continuous Education Policy:

Few employees under Assets side are undergraduate, they were given a target to complete their graduation within 3 yrs and assistance from the organization as per HR manual will be provided to them.

Certification Courses:

Employees are encouraged to get certifications as per the banking requirements.

Employee Connect:

My zone, My Family: All zones will have a HR representative as Zonal – HR, besides this, one Senior HR person will be the buddy for one Zone who will monitor the zone as single point contact to ensure support from HO – not only for HR matters but he/she will coordinate other activities pertaining to other departments as well, at times.

TECHNOLOGY

NESFB leverages technology to deliver solutions and services for its customers across different platforms. These platforms are resilient to failures and are secured. The Bank has a dedicated technology team. These team aligns with business needs to provide effective and timely solutions to business problems and help launch products.

The bank is on a mission to migrate, on a phased manner, all existing Micro Finance branches (earlier working on Bank owned offline software) to a modern Core Banking Solution.

The centralised infrastructure deployment is outsourced to a System Integrator for the bank. The Tier 4 Data Center and Data Recovery is hosted at CtrlS Mumbai and Hyderabad respectively.

Highlights of the year

Core Banking System (CBS)

The bank has implemented FIS Profile core banking system. This is the centralised system established by a bank which allows its customers to conduct their business irrespective of the bank's branch. It removes the impediments of geo-specific transactions. The application hold/stores all the information of the customer, its financial activity and engagements of services. Bank Employees at the branches and/or designated perform their daily operations and banking transactions. Most of the other applications connects to this application.

ADF/MIS Reporting system

ADF/MIS is a reporting tool and works as a report repository. There is a STP process in extraction and loading of data from source system to MIS.

KYC AML

Currently bank is manually verifying KYC of customers and integration for NSDL is in place. Bank is working to introduce Aadhaar and other

interfaces for enabling proper KYC of customer. The Customer profiling is carried out through CrossFraud (AML application) to monitor financial transaction. However, bank plans to introduce screening of non-financial transaction. The extraction of CTR and STR is automated.

Debit Card Management System and SWITCH

Debit card management system (DCMS) and SWITCH is connected to NPCI and bank's CBS system using standard ISO messaging format. This provides complete management of card transaction processing from ATM and POS networks, mobile and internet banking.

NESFB Debit Card System

The bank has launch its NESFB Rupay Debit card. Currently NESFB card is live for NFS network, E-Commerce and Point of Sale transaction



RTGS/NEFT Payment System

Bank is live on IDRBT SFMS platform to facilitate NEFT & RTGS transaction. The SFMS system is integrated to Core Banking system and facilitate transaction through all delivery channels live on the platform. The settlement for RBI current account is carried out by Treasury.

Cheque Truncation Systems (CTS)

Bank is currently live on CTS platform through Chennai Grid as an Indirect member. The application used is on shared model from a vendor for handling automated cheque collection. The application is interfaced to CBS for data processing.

Digital Channels

The Bank's objective is to be at the forefront of the digital world to deliver on target, on time, quality services. The Bank has digitised the banking activities using different digital channels: Internet Banking, Mobile banking and SMS Banking.

Retail Internet Banking

Retail Internet Banking, also known as Online Banking or e-Banking enables the bank's customers to manage their accounts and transact directly with the Bank through the internet, anywhere and anytime, without physically visiting the bank's branches. This is part of the FIS Profile CBS and interface resides on the Profile database with proper access management.

Retail Mobile Banking App

Retail Mobile banking is a service provided by the bank that allows our customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike Internet Banking, it uses a mobile based software. Currently we are live on Android and planning for IOS app.

SMS Banking

This is a simple feature to provide financial services using SMS. The system involves the users sending SMS requests with pre-defined keywords and parameters to get the required data through a response SMS.

Tab Banking

Tab Banking project is aimed to provide a platform for the bank to reach the doorsteps of the unbanked population in rural India through its employees or agents. It aims to bring all the transactions for our rural customers under a single core platform, including the on-boarding of customers and disbursement of loans.

RISK MANAGEMENT

The Bank has formulated and adopted a robust Risk Management framework. The Bank has an independent risk management function covering credit risk, market risk, assets liabilities management [ALM], liquidity and operational risk including information security risk functions. The Board of Directors have responsibility for approving and periodically reviewing the risk strategy and risk policies of the Bank. The Risk Management Committee [RMC] of the Board is responsible for overall governance framework for risk management of the Bank. The RMC of the Board is supported by various management level committees - Executive Risk Management Committee (ERMC), Asset Liability Committee [ALCO], Investment Committee and Information Security Committee.

The Bank views Risk Management as one of its core competencies and ensure that all material risks are identified, assessed and managed in a timely manner. The risk function would be headed by Chief Risk Officer who reports to the Managing Director & CEO. The Risk Management Department would work on building risk policies, processes, parameters and structure to align with the bank's growth strategy. The department will build internal capital adequacy assessment abilities and initiate preparation of risk profile and risk appetite requirements for the short term and long term goals of the bank.

TREASURY ACTIVITIES

Treasury department was set up well in time to handle the Treasury activities of NESFB which commenced its Banking operations on October 17, 2017.

The key role of treasury function is:

- Maintaining Cash Reserve Ratio and Statutory Liquidity Ratio
- Managing Liquidity
- Asset Liability management
- Interest Rate Risk Management

- Optimizing return on available cash resources
- Establishing and Maintaining Access to Short Term, Medium and Long Term funding
- Manage the profitable portfolio of investments

Pending RBI approval for SCB status, the Treasury dealings are limited to ensuring the mandatory requirement of maintaining CRR and SLR apart from managing Assets and Liability (ALM), liquidity and interest rate risks and ensuring optimum utilization of available surplus funds.

Governance:

We have formulated all treasury related policies, viz

- Investment Policy,
 - ALM and Market Risk Policy,
 - Contingency funding plan policy,
 - BCP Plan for Treasury front office, Mid office and Back office and,
 - Fund transfer pricing policy
- and have implemented all these policies,

All treasury related committees were constituted with clearly defined charters, members, agenda and frequency of meetings for each committee. Committee meetings are being held as per the scheduled dates to discuss and take appropriate decision / give directives for effective and efficient management of the treasury of the Bank.

The Investment committee meetings are held on a monthly basis to review the existing portfolio and to take appropriate decisions on investments, yields, interest rates, fund flows, etc.

To ensure that there is no conflict of interest, there is segregation of roles and responsibilities of Treasury team by way of clearly defined Front

office (Dealing room), Mid office and Back office functions. Their roles and responsibilities have been documented and implemented.

Current Activities:

The bank has been maintaining CRR (4%) and SLR (19.5%) as per the Regulatory requirements from the date of banking operations. The bank has invested in one year Treasury Bills to meet its SLR Requirements and also maintains the required cash balance in RBI Current account for CRR. The CRR & SLR Balances are monitored on a daily basis.

The department has developed funding projections and liquidity management basis the fund requirements and fund availability of the banking operations. The same is presented to the Investment Committee with recommendation on deployment of surplus funds or raising funds in case of deficit conditions.

We have availed refinances from SIDBI and NABARD as part of our initiative to reduce our cost of funds. This is supported by the Bank's loan portfolio growth post commencing banking operations. These funds are being utilised to repay some of the existing high cost borrowings.

Treasury has also started investments in non SLR securities in the form of Debt Liquid Mutual Funds for effectively utilising the available liquidity.

Treasury determines the interest rates for bulk deposits and Interbank deposits. Treasury publishes the FD /RD/SB/DSD Deposit rates for the Bank customers and revises the same as per the prevailing market conditions.

COMPLIANCE MANAGEMENT

On the strong foundation of Risk & Compliances policies and framework, enhancement with core competencies were built in newer areas like cyber security, cyber governance, transaction monitoring, anti-money laundering and regulatory reporting. Key initiatives also included comprehensive checklist for branch banking process and connect programs, score cards for monitoring operational risks at granular level and comprehensive review of all operational and financial controls, mid office treasury function with proactive approach to ALM. The Compliance team rigorously monitors adherence to each of the licensing conditions and the operating guidelines for Small Finance Banks.



INSPIRING STORIES OF SUCCESS



*Success isn't
just about what
you accomplish
in your life;
it's about what
you inspire
others to do.*

THE MUSHROOM MAGIC

Amar Pran & Sabita Changmai

Amar Pran Changmai is a young social entrepreneur, to whom the people of Tengabari village look upto.

A graduate in English literature, Amar Pran had decided to take up mushroom cultivation at his home seven years ago. The Assam Agriculture University in Jorhat failed to provide him with any technical help or training which took him to North Bengal University. That was the starting of his journey towards success with an “edible umbrella”- mushroom.

After seven years of toiling with mushroom cultivation, Amar Pran ushered in a revolution in Tengabari. He began growing mushroom in a 1,500 sq. ft. farm for domestic consumption in 2013. Today, his farm produces 200 kgs of mushroom per day. His success has motivated various families in the village to take up mushroom cultivation as their livelihood.

Besides, Amar Pran now also owns a farm school and is a resource person for other farmers and agriculture specialists.

His story might not have progressed had Sabita, his wife, not approached North East Small Finance Bank, erstwhile RGVN(NE)MFL for financial support in 2009. Their initial loan of Rs 9,000 helped Amar Pran expand his mushroom business. Sabita Changmai availed loan seven times, each time the amount increasing with the size of the enterprise. Encouraged by his endeavor, more families of the locality have been engaged in mushroom cultivation and moving towards a sustainable livelihood.

Amar Pran and others in the locality lauded the role played by NESFB in changing their fortune.



SCRIPTING SUCCESS THROUGH BELL METAL

Anima Deka, Sarthebari



Tweaking traditions can help script success and Sarthebari's Anima Deka has proven it.

Despite the challenges of changing tastes, the brass and bell-metal business has been the mainstay of many in Sarthebari. It was no different for Anima and her husband Sarbeswar Deka of Tamuli Suba. However with the decline in the demand for regular brass and bell metal products made things difficult for them. It was then that Anima and her husband decided to bring in a new trend of designing innovative products with bell-metal. Instead of the regular products used in the day-to-day activities of Assamese households, they decided to tap the rising demand for bell-metal utensils, which are used extensively for Buddhist rituals.

With this initiative, they are now extending their

footprints in the international markets, viz Bhutan, Nepal, China and other countries with a sizeable Buddhist population, where their exquisitely crafted bell metal items are in huge demand.

However, for an industry depended too long on middlemen, it was not easy for them to translate their skill into prosperity.

For the Dekas, things changed for the better, when Anima availed Rs 10,000, from North East Small Finance Bank in 2010, the first of her five loans. Having expanded their family business with Rs 65,000 in loans received till date, Anima and her husband produces 600 varieties of products every month.

With the demand of their products on the rise, the couple's annual income has tripled in recent years.

WEAVING WONDERS

Swapna Deka, Sarthebari



Swapna Deka of Kailashpur area in Sarthebari has an encouraging story for every women out here.

Today, the locality is well known for Swapna's enterprise and her success in the weaving business that has provided employment to at least ten local youths.

"I was attracted to the loom from an early age, but did not have much opportunity to pursue weaving as a profession. However, the urge gradually took over and once I started living my dream, there was no looking back" she said.

Swapna started her venture 'Shipini Weaver and Embroidery Centre' at her house in Kailashpur a few years ago for producing pat and muga silk cloth. The centre has helped local weavers earn more than what they

were earning by working at looms faraway.

Recognized by the State government as a small industry, Swapna's centre churns out at least 30 pairs of Pat Mekhela Chadors (Assamese Silk Sari) every month.

Swapna, who has now diversified her business also into designing, attributes her success to the timely financial assistance she received from North East Small Finance Bank in 2013.

In the process Swapna didn't just make herself financially independent but also carved out a niche alongside the traditional brass and bell metal unit run by her husband's family and neighbours in Sarthebari.

STANDING FIRM ON FOOTWEAR

Moni Nandi, Sonapur



Moni Nandi does not want to recount the storms she had endured in the last 24 years. She believes in facing the challenges head on, her never-say-die attitude often bailing her out of tough situations.

Moni was 24, when her husband, Gopal Nandi, died in 1994. Their family of four depended on Gopal's small footwear business in Sonapur, about 30 km east of Guwahati. His death engulfed Moni and their daughters, Purnima, and Deepa, who were then just 2 years and 3 years old respectively, in darkness. But Moni stood tall during the turbulent times and tried to see the light at the end of the tunnel.

Neighbours and a few relatives doubted her ability to fight. Some asked if it would be possible for a woman to run the footwear business. But Moni was adamant in becoming the bread-earner and the owner of the building where the shop is located supported Moni in her decision.

Over the period of two decades, Moni established herself as a successful trader besides bringing up her daughters, who are graduates now and are self-reliant and independent. Her elder daughter Purnima is now a teacher at Little Angels School while her younger daughter, Deepa is pursuing her higher education after graduating from Guwahati Commerce College.

RGVN (NE) MFL, now North East Small Finance Bank, helped Moni on her path to success. She enhanced her small shop into a flourishing business with Rs 10,000 as financial assistance from RGVN (NE) MFL in 2009, when she availed the first of her seven loans.

"I was determined to defeat the pessimism around me. I am grateful to North East Small Finance Bank for standing by me during my difficult times," she said.



DIRECTOR'S REPORT 2017-18

To,
The Members,

Directors of North East Small Finance Bank Limited have pleasure in presenting their 2nd Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the financial year ended 31st March, 2018.

FINANCIAL HIGHLIGHTS -

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

(Rs in '000)		
Particulars	FY 2017-18	FY 2016-17
Interest income	963,163	348
Other income	81,636	
Total income	1,044,799	348
Expenditure		
Interest Expended	521,757	-
Opening Expenses	280,642	26
Provisions and Contingencies	19,073	96
Total expenditure	821,472	122
Net Profit After Tax	223,327	226
Profit Brought Forward	181	-
TOTAL	223,508	226
Transfer to Statutory reserve	55,832	45
Balance Carried to Balance Sheet	167,676	181
TOTAL	223,508	226
Earning Per Share (Face Value Per Share Rs 10 each)		
Basic	1.15	0.03
Diluted	1.15	0.03

2. OPERATIONAL HIGHLIGHTS –

The total deposits mobilized as on 31st March, 2018 is Rs. 125.31 Crores which includes both TD and CASA.

The total portfolio outstanding of NESFB as on 31st March 2018 stands at Rs. 1082.40 crore. The cumulative disbursement for the Financial Year 2017-18 stands at Rs. 1124.48 crore with on-time repayment rate of 98.91% and PAR > 30 days of 0.98%.

The summarized operational highlights for the financial year ended March 31, 2018 include:

NESFB expanded its area of operations to 8 states in the FY 2017-18 from 7 states. NESFB started its business operation in the state of Manipur. The number of branches increased from 139 to 155 in the FY 2017-18.

NESFB is having 155 operating branches, which includes 20 Banking outlets and 135 Asset offices spread across 8 states, namely Arunachal Pradesh, Assam, Meghalaya, Nagaland, Sikkim, Tripura, Manipur and West Bengal.

The total staff strength increased from 772 to 1084 in the FY reflecting a growth rate of 40.41%.

The portfolio outstanding is Rs. 1082.40 Crores for the FY 2017-18.

The portfolio outstanding per branch office is Rs.702.52 Crores in the FY 2017-18.

The table below depicts the total number of branches as on March 31, 2018

STATES	NO. OF BRANCHES
Arunachal Pradesh	4
Assam	126
Meghalaya	6
Nagaland	1
Sikkim	7
Manipur	2
Tripura	6
West Bengal	3
TOTAL	155

3. DIVIDEND

Considering the growth and operations of the Company, the Board has not recommended any dividend for the year.

4. AMOUNT TRANSFERRED TO RESERVES

The Company has a profitable year of operations and returned a post-tax profit of Rs.22,35,08,253. It has transferred an amount of Rs.5,58,31,853 to statutory reserve fund in accordance with the provisions of Section 45 - IC of The Reserve Bank of India Act 1934.

5. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY:

There are no material changes and commitments, that would affect financial position of the Company from the end of the financial year of the Company to which the financial statements relate and the date of the Directors Report.

6. CHANGES IN THE SHARE CAPITAL, IF ANY

North East Small Finance Bank Limited has issued 18,30,00,000 equity shares of INR 10/- (Rupees Ten) each to RGVN (North East) Microfinance Limited as a Right Issue.

The details of the shares issued to the investors are listed below:

Name	No of shares allotted	Total Amt in respect of Shares allotted (in Rs.)	Share capital	Date of allotment
RGVN (North East) Microfinance Limited	18,30,00,000	183,00,00,000	183,00,00,000	17.10.2017
TOTAL	18,30,00,000	183,00,00,000	183,00,00,000	-

7. EMPLOYEE STOCK OPTIONS PLANS (ESOP)

The Bank does not have an ESOP Policy / Plan and during the year under review, Bank has not issued any employees stock options to any of its employees.

8. ISSUANCE OF NON-CONVERTIBLE DEBENTURES

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

9. EXTRACT OF ANNUAL RETURN

Annual Return of the Company, is being 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 w.e.f July 31, 2018.

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

10. STATUTORY AUDITORS

M/s MSKA & Associates, Chartered Accountants, were appointed as the Statutory Auditor by the members in the last Annual General Meeting. Their term expires at this Annual General Meeting. They have expressed their eligibility for re-appointment. The Board recommends their re-appointment.

11. DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v)&(vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

12. STATUTORY AUDIT OBSERVATIONS:

The comments made by M/s MSKA & Associates, Chartered Accountants, Statutory auditors are self explanatory in nature and as such, no comments are necessary.

13. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES

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

14. DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review Bank has appointed following persons as a Director/KMP.

Name	Designation	Date of Appointment
Mr. Njord Andrewes	Nominee Director	30-06-2017
Ms. Sutapa Banerjee	Independent Director	30-06-2017
Mr. Robert Douglas Dunn	Nominee Director	30-06-2017
Mr. Gautam Barua	Independent Director	30-06-2017
Mr. Surya Narayan Patro	Chief Financial Officer	17-10-2017
Mr. Mukesh Singh Verma	Company Secretary	17-10-2017

Further, Bank has appointed Mr. Bhaskar Jyoti Sarma as an Independent Director and Mr. Manish Thakkar as Nominee Director of RNT Associates Private Limited in the Board Meeting dated August 24, 2018.

COMPOSITION OF THE BOARD AS ON 31.03.2018

SR. NO.	Name	Designation	Date of Appointment
1	Ms. Rupali Kalita	Managing Director & Chief Executive Officer	25-07-2016
2	Ms. Sutapa Banerjee	Independent Director	30-06-2017
3	Mr. Gautam Barua	Independent Director	30-06-2017
4	Mr. Ranjit Goswami	Independent Director	25-07-2016
5	Mr. Deep Chandra Joshi	Independent Director	25-07-2016
6	Mr. Njord Andrewes	Nominee Director	30-06-2017
7	Mr. Robert Douglas Dunn	Nominee Director	30-06-2017

DETAILS OF KEY MANAGERIAL PERSON U/S 203 OF THE COMPANIES ACT, 2013 AS ON 31.03.2018

SR. NO	Name	Designation	Date of Appointment
1	Mr. Rupali Kalita	Managing Director & Chief Executive Officer	27.07.2016
2	Mr. Mukesh Singh Verma	Company Secretary & CCO	17.10.2017
3	Mr. Surya Narayan Patro	Chief Financial Officer*	17.10.2017

* Mr. Surya Narayan Patro has resigned and relieved on May 31, 2018.

15. NUMBER OF BOARD MEETINGS

During the Financial Year 2017-18, Nine (9) meetings of the Board of Directors of the Company were held: -

No. of Board meeting	Date	Place
5 th	12.04.2017	Hotel Lily 6 th mile Khanapara Guwahati 781022
6 th	27.04.2017	House No-2, Bye Lane No-8, Padma Path, Zoo Road Tiniali, Guwahati-781024, Assam
7 th	20.05.2017	IORA-The Retreat, Kohora, Kaziranga-785609, Assam
8 th	30.06.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam
9 th	22.07.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam
10 th	01.09.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam
11 th	17.10.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam
12 th	18.01.2018	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam
13 th	31.03.2018	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam

Attendance of each Director at the Board Meeting as on 31st March 2018:

Sl. No.	Name	Total meetings to be attended	Meetings attended
1	Mr. Deep Chandra Joshi	9	8
2	Mr. Ranjit Goswami	9	7
3	Ms. Rupali Kalita	9	8
4	Mr. Gautam Barua	5	3
5	Ms. Sutapa Banerjee	5	1
6	Mr. Njord Andrewes	5	4
7	Mr. Robert Douglas Dunn	5	4

16. REMUNERATION PAID OR PAYABLE TO DIRECTORS & KMPs DURING THE YEAR

During the year Company has paid an amount of Rs. 22,85,000 (Rupees Twenty Two Lacs Eighty Five Thousand only) towards Managerial Remuneration to KMP.

17. ANNUAL GENERAL MEETING

The Company's 1st Annual General Meeting was held on 1st September 2017 in Guwahati.

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

There are no loans, guarantee & investment U/s Section 186 of the Companies Act, 2013 during the year.

19. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

There is no related party transaction to be reported during the year.

20. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is taking proper steps at every level of operation for conservation of Energy. There is no technology absorption and total Foreign Exchange outgo during the year ending on 31st March 2018 is Nil.

21. SECRETARIAL AUDITOR

The Secretarial Audit was carried out by M/s. Narayan Sharma & Associates, Company Secretaries for the financial year 2017-2018. The Report given by the Secretarial Auditor is annexed as Annexure – 1 and forms integral part of this Report. Secretarial Audit Report has no qualification and having only observation which is self explanatory in nature and it is related to the transition period after Business Transfer from RGVN (North East) Microfinance Limited [Holding Company] to North East Small Finance Bank Limited [Subsidiary Company].

22. PARTICULARS OF EMPLOYEES

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

23. DETAILS OF DIRECTORS RETIRING BY ROTATION IN THE ENSUING ANNUAL GENERAL MEETING

Pursuant to the provisions of Section 152 of the Companies Act 2013, Mr. Ranjit Goswami retires by rotation at this Annual General meeting and being eligible offers himself for re-appointment as a Director. The Board recommends the re-appointment in the best interest of the Company.

24. DIRECTOR'S RESPONSIBILITY STATEMENT

As required under Section 134 of the Companies Act 2013, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as 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 had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

25. POLICY ON SEXUAL HARASSMENT

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on Prevention, Prohibition and Redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under. During the financial year 2017-18, no complaints have been registered till close of the fiscal year under review. As the Managing Director of the Company is herself a Women Director, congenial working environment is provided to all the women employees of the Company.

26. WHISTLE BLOWER POLICY (VIGIL MECHANISM)

Bank, as a part of prudent practice, established 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.

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

The Company has been granted Small Finance banking entity license under Section 22(1) of the Banking Regulation Act, 1949 dated 31st March, 2017 to carry on small finance banking business. Company has commenced its Banking Operations on October 17, 2017 after complying the RBI Stipulations.

28. STATEMENT IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROL WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls to be followed by the Company with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed. 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.

29. RISK MANAGEMENT

Bank has robust system of Risk Management.

30. NOMINATION & REMUNERATION COMMITTEE

Board of Directors in its 5th Board Meeting held on 12th April, 2017 has constituted Nomination & Remuneration Committee and the principal responsibilities and functions of the Nomination Committee are as follows:

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, 2 (Two) meetings of the Nomination & Remuneration Committee were convened on 30.06.2017 and 31.08.2017. We provide hereunder details of the attendance of the Nomination & Remuneration Committee members at such meetings:

No. of meeting	Date	Place	Member Present
1st	30.06.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam	Mr. Ranjit Goswami Mr. Gautam Barua Mr. Njord Andrewes
2nd	31.08.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam	Mr. Ranjit Goswami Mr. Gautam Barua Mr. Njord Andrewes

31. AUDIT COMMITTEE

The Board of Directors in its 5th Board Meeting held on 12th April 2017 has constituted Audit Committee and the principal responsibilities and functions of the Audit Committee are as follows:

1. The recommendation 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, 2 (Two) meetings of the Audit Committee were convened on 31.08.2017 and 17.01.2018. We provide here under details of the Audit Committee members at such meetings:

No. of meeting	Date	Place	Member Present
1st	31.08.2017	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam	Mr. Ranjit Goswami Mr. Robert Douglas Dunn
2nd	17.01.2018	Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur Bye Lane No. 3, Beltola Guwahati, Assam	Mr. Deep Chandra Joshi Mr. Ranjit Goswami Mr. Robert Douglas Dunn Ms. Sutapa Banerjee

32. CORPORATE GOVERNANCE

The Company's Philosophy

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

The Bank has Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (The CA 2013), the Banking Regulation Act, 1949 (the BR Act, 1949) and the Articles of Association of the Bank.

The Board consists of eminent persons with considerable professional expertise in Banking, Finance, Administration, HR, Technology, Strategy, Compliance, Audit, Risk and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation, monitoring Control framework and direction setting for the Bank, thus adding value to set a strong foundation enabling the overall growth objectives of the Bank.

The Board comprises of 7 (Seven) Directors consisting of 4 (Four) Independent, therefore maintaining the majority of directors as independent at all time as per the RBI stipulation.

Know Your Customer (KYC) / Anti-Money Laundering (AML)

The Bank has a transaction monitoring process with automated system solution closely monitored by the centralized Processing Centre (CPC). Further, a dedicated team carries out the transaction monitoring process in line with the regulatory requirements. Bank's employees are being imparted training on KYC / AML aspects on a regular basis.

33. BOARD EVALUATION

The Independent Directors of the Company is being 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.

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

35. CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors in its meeting held on January 18, 2018 had approved the CSR Policy of the Bank. Being the 1st year of operations, the provision relating to contribution towards CSR as per Section 135 of the Companies Act, 2013 was not applicable to the Bank for FY2018. Pursuant to the Business Transfer Agreement between Bank and RGVN (North East) Microfinance Ltd. (Holding Company), the lending, borrowing and existing businesses of RGVN (NE) MFL were transferred to the Bank, as at the close of business on October 16, 2017.

36. OTHER STATUTORY DISCLOSURES

- The Bank has not changed its nature of business during FY2018.
- 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.
- All related party transactions that were entered into during FY2018 were on an arm's length basis, and were in the ordinary course of business. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Bank at large. The Bank has a Related Party Transactions Policy in place for the purpose of identification and monitoring of any potential related party transactions.
- There were no significant / material orders passed by the Regulators / a Court / Tribunal etc during FY2018, which would impact the going concern status of the Bank and its future operations.
- Our Bank is the subsidiary company of RGVN (North East) Microfinance Limited.
- There are no adverse observations / qualifications in the Statutory Auditors' Report.
- There are no audit qualifications in the Secretarial Audit report.

- All recommendations of the Audit Committee were approved by the Board.
- Proper internal financial controls are in place, and that the financial controls have been adequate and operating effectively.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to the Central and State Governments, Reserve Bank of India, Ministry of Corporate Affairs, SEBI and all other Regulatory Authorities, employees of the Bank, and all stakeholders of the Bank for their continuous support and contribution to the Bank. Your Board of Directors would also like to place on record, sincere gratitude towards customers for posing their continuous faith on us. Directors would also like to thank our associates and other partners of the Bank for their assistance and co-operation extended along with the employees of the Bank. The Directors also express their gratitude to the Shareholders for extending their support.

For and on behalf of the Board of Directors

Sd/-
RUPALI KALITA
Managing Director & CEO
(DIN No: 02114098)

Sd/-
Deep Chandra Joshi
Independent Director
(DIN No: 00332709)

Place: Guwahati
Date: 24/08/2018



FORM NO. MR-3

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the
Companies (Appointment and Remuneration Personnel) Rules, 2014]**

To,
The Members,
North East Small Finance Bank Limited
1st and 3rd Floor, Fortune Central, Basistha Road,
Basisthapur Bye Lane No. 3, Beltola, Guwahati -28 Assam

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **North East Small Finance Bank Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on **31 March 2018** ('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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2018 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008
 - b) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015
- vi. The following industry specific laws and rules, regulations, directions, guidelines, circulars and instructions frame their under:
 - a) Reserve Bank of India, 1934
 - b) The Banking Regulations Act, 1949

- c) Master circulars, directions, guidelines issued to Small Finance Banks by the Reserve Bank of India from time to time.
- vii. Other laws, including Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.
- viii. I have also examined compliance with the applicable clauses of the following:
 - a) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board & General Meetings.
 - b) The listing agreement entered into by the company with BSE Limited.

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 observations:

UNDER COMPANIES ACT, 2013:

1. The company was required to register the creation of charge on acquisition of NCDs from its Holding Company viz. RGVN (North East) Micro Finance Ltd w.e.f. 16th October 2017 with the ROC, Shillong for five secured NCDs. Out of these, two were registered and three charges for NCDs amounting to Rs. 25.00 crores, Rs. 33.26 crores and Rs. 15.00 crores respectively, are yet to be registered.

UNDER SEBI (LODR) REGULATIONS, 2015:

2. After the execution of Business Transfer Agreement on 16th October 2017, the company was supposed to get transferred all NCDs standing in the name of RGVN (North East) Microfinance Ltd. into its name and to comply with the SEBI (LODR) Regulations, 2015. However, all the communications and filings which were being made during the audit period were made in the name of its holding company viz. RGVN (North East) Microfinance Limited

I further report that:

The Board of Directors of the Company is properly constituted and the company had proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings as represented by the management were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

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

I further report that during the audit period:

- i) The Company has entered into a Business Transfer Agreement (BTA) with RGVN (North East) Microfinance Limited on 16th October 2017 whereby the company has purchased the business undertaking of the company.
- ii) The company has issued 18,30,00,000 equity shares of Rs. 10 each on rights basis to RGVN (North-East) Microfinance Limited amounting to Rs. 183,00,00,000 (Rupees One Hundred Eighty Three Crores).

Place: Guwahati

Date: 17th August, 2018

For Narayan Sharma & Associates
Company Secretaries

Sd/-
Narayan Sharma
Proprietor
FCS No.5117 C P No.:3844

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.

'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 - 781 028 Assam**

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Guwahati
Date: 17th August, 2018

For Narayan Sharma & Associates
Company Secretaries

Sd/-
Narayan Sharma
Proprietor
FCS No.5117 C P No.:3844



INDEPENDENT AUDITOR'S REPORT 2017-18

INDEPENDENT AUDITORS' REPORT

To the Members of North East Small Finance Bank Limited



Report on the Financial Statements

1. 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, 2018, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules 2016 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India (the "RBI") from time to time as applicable to banks. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and the Rules made thereunder, provisions of Section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI as applicable to banks and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements together with the notes thereon give the information required by the provisions of Section 29 of the Banking Regulation Act, 1949 as well as the Act and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2018, and its profit and its cash flows for the year then ended.

Other Matter

9. The financial statements of the Bank as at March 31, 2017 and for the year then ended, were audited by another firm of Chartered Accountants who, vide their report dated April 27, 2017 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. In our opinion, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with applicable provisions of Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules 2016.
11. As required by Section 30 of the Banking Regulation Act, 1949, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.
 - b. The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank; and
 - c. During the course of our audit, we visited 15 branches to examine the books of account and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the bank are automated with the key applications integrated with the core banking system, the audit is carried out at centrally at Guwahati branch as all the necessary records and data required for the purposes of our audit are available therein.
12. As required by Section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 to the extent they are not inconsistent with the accounting policies prescribed by the RBI.
- e. On the basis of the written representations received from the directors as on June 18, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls with reference to of the financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g. With respect to the other matters to be included in the Auditors' 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 knowledge and belief and according to the information and explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 11 to Schedule 18 B of the financial statements.
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long term contracts – Refer Note 12 to the Schedule 18 B of the financial statements. The Bank did not have any derivative contracts as at March 31, 2018.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2018; and
 - iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated March 30, 2017 issued by Ministry of Corporate Affairs is not applicable to the Bank – Refer Note 16 to Schedule 18 B of the financial statements.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
 Swapnil Kale
 Partner
 Membership No. 117812

Guwahati
 June 18, 2018

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 12 (f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of North East Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2018

Report on the Internal Financial Controls with Reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the the Act

1. We have audited the internal financial controls with reference to financial statements of North East Small Finance Bank Limited ("the Bank") as of March 31, 2018 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

2. 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 (the "ICAI") (the "Guidance Note"). 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 Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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 with reference to financial statements.

Meaning of Internal Financial Controls With reference to financial statements

- 6 A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation

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

Inherent Limitations of Internal Financial Controls With reference to financial statements

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

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812

Guwahati
June 18, 2018

NORTH EAST SMALL FINANCE BANK LIMITED

BALANCE SHEET AS AT 31ST MARCH 2018

₹ in '000

PARTICULARS	Schedule No.	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES			
Capital	1	29,33,850	11,03,850
Reserves and Surplus	2	2,23,553	226
Deposits	3	12,53,105	-
Borrowings	4	1,08,14,034	-
Other Liabilities and Provisions	5	2,84,684	25,124
TOTAL		1,55,09,226	11,29,200
ASSETS			
Cash and Balance with Reserve Bank of India	6	2,98,933	-
Balance with Banks and Money at call and short notice	7	22,63,285	11,03,849
Investments	8	16,91,024	-
Advances	9	1,08,23,985	-
Fixed Assets	10	1,66,705	-
Other Assets	11	2,65,294	25,351
TOTAL		1,55,09,226	11,29,200
Contingent Liabilities	12	19,769	-
Bills for Collection		-	-
Significant Accounting Policies	17		
Notes to the Financial Statement	18		

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

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

As per our report of even date attached
For **MSKA & Associates**
Chartered Accountants
Firm Registration Number: 105047W

sd/-
Swapnil Kale
Partner
Membership No. 117812

Guwahati
June 18, 2018

For and on behalf of the Board of Directors

sd/-
Rupali Kalita
DIN: 02114098
Managing Director & CEO

sd/-
Gautam Barua
DIN: 01226582
Independent Director

Guwahati
June 18, 2018

sd/-
Ranjit Goswami
DIN: 07368429
Independent Director

sd/-
Mukesh Singh Verma
M.No: FCS 6936
Company Secretary & CCO

NORTH EAST SMALL FINANCE BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2018

₹ in '000

PARTICULARS	Schedule No.	For the year ended March 31, 2018	For the period ended March 31, 2017
I. INCOME			
Interest Earned	13	9,63,163	348
Other Income	14	81,636	-
TOTAL		10,44,799	348
II. EXPENDITURE			
Interest Expended	15	5,21,757	-
Operating Expenses	16	2,80,642	26
Provisions and Contingencies		19,073	96
TOTAL		8,21,472	122
III. PROFIT			
Net Profit After Tax		2,23,327	226
Profit Brought Forward		181	-
TOTAL		2,23,508	226
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		55,832	45
Transfer to Capital Reserves		-	-
Transfer to Investment Reserve		-	-
Balance Carried to Balance Sheet		1,67,676	181
TOTAL		2,23,508	226
Earnings Per Share (Face value per share ₹10 each)			
Basic		1.15	0.03
Diluted		1.15	0.03
Significant Accounting Policies	17		
Notes to the Financial Statement	18		

Schedules referred to above form an integral part of the Profit and Loss account

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

As per our report of even date attached

For **MSKA & Associates**

Chartered Accountants

Firm Registration Number: 105047W

For and on behalf of the Board of Directors

sd/-

Rupali Kalita

DIN: 02114098

Managing Director & CEO

sd/-

Ranjit Goswami

DIN: 07368429

Independent Director

sd/-

Swapnil Kale

Partner

Membership No. 117812

sd/-

Gautam Barua

DIN: 01226582

Independent Director

sd/-

Mukesh Singh Verma

M.No: FCS 6936

Company Secretary & CCO

Guwahati

June 18, 2018

Guwahati

June 18, 2018

NORTH EAST SMALL FINANCE BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

₹ in '000

PARTICULARS	For the year ended March 31, 2018	For the period ended March 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	2,46,857	322
Adjustment For:		
Contingent Provisions against Standard Assets	12,706	-
General Provision against advances	2,893	-
Provision against Non Performing Assets written back	(20,056)	-
Liabilities/provisions no longer required written back	(9,024)	-
Depreciation	13,642	-
Profit on sale of Fixed Assets	(119)	-
Profit on sale of Investments	(9)	-
Fixed Assets Written off	3,491	-
Interest expense on Borrowings	5,11,602	-
Operating Profit before Working Capital Changes	7,61,983	322
Adjustments for:		
Increase in Current Assets	(1,84,516)	(25,351)
Increase in Current Liabilities	1,03,745	25,028
Increase in loans disbursed	(1,08,03,928)	-
Increase in Fixed Deposit with Bank (Original Maturity greater than 3 months)	(2,79,875)	-
Purchase of Investments	(17,41,681)	-
Sale of Investments	50,666	-
Increase in Deposits	12,53,105	-
Cash used in Operations:	(1,08,40,501)	(1)
Direct Tax Paid	(30,596)	-
Net Cash Flow from Operating Activities	(A) (1,08,71,097)	(1)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (including WIP)	(1,84,169)	-
Proceeds from sale of fixed assets	450	-
Net Cash Flow from Investing Activities	(B) (1,83,719)	-
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	18,30,000	11,03,850
Proceeds from Borrowings	1,08,14,034	-
Interest paid on Borrowings	(4,10,724)	-
Net Cash Flow from Financing Activities	(C) 1,22,33,310	11,03,850
Net Increase in Cash or Cash Equivalents (A+B+C)	11,78,494	11,03,849

NORTH EAST SMALL FINANCE BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

₹ in '000

PARTICULARS	For the year ended March 31, 2018	For the period ended March 31, 2017
Opening Cash and Cash Equivalents	11,03,849	-
Cash and Cash Equivalents at the end of the year	22,82,343	11,03,849
Break up cash and cash equivalent		
Cash and Balance with RBI	2,98,933	-
Balance in current account with other banks	3,23,410	3,849
Fixed Deposits with maturity of less than 3 months	16,60,000	11,00,000
Total Cash and cash equivalent	22,82,343	11,03,849

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice (excluding fixed deposits with original maturity of more than three months).
3. Above figures include assets/liabilities acquired on account of Business transfer agreement entered with RGVN Microfinance Limited dated October 16, 2017. The consideration for the same has been discharged by issue of equity shares which is a non-cash transaction.
4. Figures in bracket indicate cash outflow.

As per our report of even date attached

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

For and on behalf of the Board of Directors

sd/-

Rupali Kalita

DIN: 02114098

Managing Director & CEO

sd/-

Ranjit Goswami

DIN: 07368429

Independent Director

sd/-

Swapnil Kale

Partner

Membership No. 117812

sd/-

Gautam Barua

DIN: 01226582

Independent Director

sd/-

Mukesh Singh Verma

M.No: FCS 6936

Company Secretary & CCO

Guwahati

June 18, 2018

Guwahati

June 18, 2018

NORTH EAST SMALL FINANCE BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

PARTICULARS	As at March 31, 2018	As at March 31, 2017
SCHEDULE 1 - Share Capital		
Authorised Share Capital:		
Equity Share Capital 500,000,000 Shares of ₹ 10 each	50,00,000	50,00,000
Issued, Subscribed and Paid Up Capital		
Equity Share Capital 293,384,995 Shares (Previous year 110,384,995 shares) of ₹ 10 each	29,33,850	11,03,850
Total	<u>29,33,850</u>	<u>11,03,850</u>
SCHEDULE 2 - Reserves and Surplus		
I. Statutory Reserve		
Opening Balance	45	-
Additions during the year	55,832	45
Closing Balance	<u>55,877</u>	<u>45</u>
II. Capital Reserve		
a) Revaluation Reserve		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
b) Others		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
III. Share Premium		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
IV. Revenue and Other Reserves		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
V. Investment Reserve Account		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
VI. Contingency Reserve		
Opening Balance	-	-
Additions during the year	-	-
Closing Balance	<u>-</u>	<u>-</u>
VII. Balance in Profit and Loss Account	1,67,676	181
Total (I to VII)	<u>2,23,553</u>	<u>226</u>

NORTH EAST SMALL FINANCE BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

PARTICULARS	As at March 31, 2018	As at March 31, 2017
SCHEDULE 3 - Deposits		
A.I. Demand Deposits		
i) From Banks	-	-
ii) From Others	-	-
II. Savings Bank Deposits	39,337	-
III. Term Deposits		
i) From Banks	5,77,861	-
ii) From Others	6,35,907	-
Total (I to III)	12,53,105	-
 B.I. Deposits of branches in India	 12,53,105	 -
II. Deposits of branches outside India	-	-
Total (I and II)	12,53,105	-
 SCHEDULE 4 - Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	28,28,083	-
iii) Other Institutions and Agencies	61,80,018	-
iv) Non Convertible Redeemable Debentures	18,05,933	-
Total	1,08,14,034	-
 II. Borrowings outside India	 -	 -
Total (I and II)	1,08,14,034	-
 Secured borrowings included in I and II above	 76,49,441	 -
 SCHEDULE 5 - Other Liabilities and Provisions		
I. Bills Payable	-	-
II. Inter-Office Adjustments (net)	-	-
III. Interest Accrued	1,00,878	-
IV. Contingent Provisions against Standard Assets	39,819	-
V. Others (Including Provisions)	1,43,987	25,124
Total (I to V)	2,84,684	25,124
 SCHEDULE 6 - Cash and Balance with Reserve Bank of India		
I. Cash in hand	10,898	-
II. Balances with Reserve Bank of India		
i) In Current Accounts	2,88,035	-
ii) In Other Accounts	-	-
Total (I and II)	2,98,933	-
 SCHEDULE 7 : Balances With Banks and Money At Call and Short Notice		
I. In India		
i) Balances with banks		
a) In Current Accounts	3,23,410	3,849
b) in Other Deposit Accounts	19,39,875	11,00,000
ii) Money at call and short notice		
a) With Banks	-	-
b) With other Institutions	-	-
Total (I)	22,63,285	11,03,849
II. Outside India		
i) In Current Accounts	-	-
ii) in Other Deposit Accounts	-	-
iii) Money at call and short notice	-	-
Total (II)	-	-
Total (I and II)	22,63,285	11,03,849

NORTH EAST SMALL FINANCE BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

PARTICULARS	As at March 31, 2018	As at March 31, 2017
SCHEDULE 8 - Investments		
I. Investments in India		
i) Government Securities	16,91,024	-
ii) Other approved Securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	-	-
v) Subsidiaries and Associates	-	-
vi) Others	-	-
Total (I)	16,91,024	-
II. Investments outside India		
i) Government Securities	-	-
ii) Subsidiaries and/or Joint Ventures abroad	-	-
iii) Other Investments	-	-
Total (II)	-	-
Total (I and II)	16,91,024	-
Gross Investments	16,91,024	-
Less: Depreciation/ provision for Investments	-	-
Net Investments	16,91,024	-
SCHEDULE 9 - Advances (Net of provisions)		
A. i) Bills Purchased and Discounted	-	-
ii) Cash Credits, Overdrafts and Loans repayable on demand	-	-
iii) Term Loans	1,08,23,985	-
Total	1,08,23,985	-
B. i) Secured by Tangible Assets	-	-
ii) Covered by Bank/Government Guarantees	-	-
iii) Unsecured	1,08,23,985	-
Total	1,08,23,985	-
C. I Advances in India		
i) Priority Sectors	1,08,06,646	-
ii) Public Sectors	-	-
iii) Banks	-	-
iv) Others	17,339	-
Total	1,08,23,985	-
C. II Advances outside India		
i) Due From Banks	-	-
ii) Due From Others	-	-
(a) Bills Purchased and Discounted	-	-
(b) Syndicated Loans	-	-
(c) Others	-	-
Total C (I and II)	-	-
SCHEDULE 10 - Fixed Assets		
I. Owned Assets		
a) Premises	-	-
b) Other fixed assets (including furniture and fixtures)		
At the beginning of the year	-	-
Additions during the year #	1,78,028	-
Deductions during the year	-	-
Total	1,78,028	-
Depreciation		
At the beginning of the year	-	-
Charge for the Year	13,641	-
Deductions during the year	-	-
Total	13,641	-
Net Block	1,64,387	-

NORTH EAST SMALL FINANCE BANK LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

₹ in '000

PARTICULARS	As at March 31, 2018	As at March 31, 2017
II. Capital Work in progress	2,318	-
Total (I and II)	1,66,705	-

Includes assets acquired from RGVN (North East) Microfinance Limited ₹ 75,680 thousands as per the Business Transfer Agreement (BTA). (Refer Note 1 to Schedule 18 A)

SCHEDULE 11 - Other Assets

i. Inter-office adjustments (Net)	-	-
ii. Interest Accrued	96,174	313
iii. Advance tax/Tax Deducted at Source (Net of provision for tax)	-	35
iv. Stationery and Stamps	-	-
v. Non-banking assets acquired in satisfaction of claims	-	-
vi. Others (including Deferred tax asset)	1,69,120	25,003
Total	2,65,294	25,351

SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims Against the Bank not Acknowledged as debts	19,769	-
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	19,769	-

NORTH EAST SMALL FINANCE BANK LIMITED

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

₹ in '000

PARTICULARS	For the year ended March 31, 2018	For the period ended March 31, 2017
SCHEDULE 13 - Interest Earned		
i. Interest/Discount on Advances/Bills	8,07,651	-
II. Income on Investments	40,381	-
III. Interest on Balances with RBI and Other Inter-Bank Funds	1,15,131	348
IV. Interest earned on Others	-	-
Total (I to IV)	9,63,163	348
SCHEDULE 14 - Other Income		
I. Commission, Exchange and Brokerage	75,323	-
II. Profit on sale of Investments	9	-
III. Profit on sale of land, buildings and other assets	119	-
IV. Profit on exchange transactions	-	-
V. Income earned by way of dividends etc., from Companies	-	-
VI. Miscellaneous Income	6,185	-
Total (I to VI)	81,636	-
SCHEDULE 15 - Interest Expended		
I. Interest on Deposits	10,155	-
II. Interest on Reserve Bank of India / inter-bank borrowings	5,11,602	-
III. Others	-	-
Total (I to III)	5,21,757	-
SCHEDULE 16 - Operating Expenses		
I. Payments and Provisions for Employees	1,59,156	-
II. Rent, Taxes and Lighting	45,690	-
III. Printing and Stationery	3,417	-
IV. Advertisement and Publicity	4,385	-
V. Depreciation	13,642	-
VI. Director's Fees, Allowances and Expenses	320	-
VII. Auditors' fees and expenses	1,685	25
VIII. Law Charges	5,721	-
IX. Postage, Telegrams, Telephones, etc.	2,946	-
X. Repairs and Maintenance	5,691	-
XI. Insurance	687	-
XII. Other expenditure	37,302	1
Total (I to XII)	2,80,642	26

NORTH EAST SMALL FINANCE BANK LIMITED

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 seven zonal offices. The Bank operates in India concentrating in North East Region 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 confirms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the Act") and the Companies (Accounting Standards) Amendment Rules 2016, in so far as they apply to banks and the guidelines issued by the RBI.

3. Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates

used in preparation of financial statements are prudent and reasonable. Future results could differ from actuals and the differences between the actual results and the estimates are recognized prospectively in which the results are known. Any revision to accounting estimates is recognized prospectively in current and future periods.

4. Revenue Recognition

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

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

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

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

5. Investments

Classification and valuation of the Bank's investments are carried out in accordance with the RBI guidelines which are as follows:

Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

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

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

Classification of Investments

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

Acquisition cost

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

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).

- 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 Re.1 per company.

Disposal of Investment

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

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

6. Loans/Advances and Provision thereon

Classification:

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

Provision:

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

Apart from the general provision made on standard assets as above, the Bank may also maintain additional general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified.

Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss Account

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7. Fixed Assets (Tangible and Intangible)

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

7.2 Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may

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

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

8. Depreciation & Amortization

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

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

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office equipment	5
Motor Vehicle	8
Server	6
Software	4
Goodwill	5

9. Employee Benefits

Provident Fund: Contribution towards provident fund for certain employees is made to the

regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

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

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

10. Taxes

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

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, the Bank has adopted Segment Reporting as under:

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

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

Unallocated includes Capital and Reserves and other un-allocable assets, liabilities, income and expenses.

13. Earnings per share

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

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

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:

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

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

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

15. Leases

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

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

1. Business Transfer

"Pursuant to the approval received from RBI for commencement of banking operations, all the assets and liabilities pertaining to the lending activities of RGVN (North East) Microfinance Ltd. ("RGVN-MFI") were transferred to the Bank on a slump sale basis for a consideration of Rs. 183 Crores. The consideration has been determined as per the Business Transfer Agreement ("BTA") dated October 16, 2017 entered into between the Bank and RGVN-MFI. In the books of the Bank the acquired assets and liabilities are recorded in accordance with the Purchase Price Allocation approved by Management. The consideration for slump sale was discharged by issue of 183,000,000 equity shares of Rs. 10 each at par value

The summary of purchase price allocation of assets and liabilities acquired is as follows:"

Particulars	Amount
Fixed Assets	75,680
Cash and Bank Balances	58,89,541
Advances	70,01,867
Other Assets	1,71,313
Total Assets	1,31,38,401
Borrowings	62,21,398
Other Liabilities and Provisions	51,39,017
Total Liabilities	1,13,60,415
Net Assets	17,77,986

2.1 Capital Infusion

During the period July 25, 2016 to March 31, 2018 the Bank has allotted share capital as follows:

Particulars	Date of Allotment	No. of Shares	Face Value (In ₹)	Issue Price (In ₹)	Share Capital
On Incorporation	August 17, 2016	50,000	10	10	500
Further allotment	March 9, 2017	11,03,34,995	10	10	11,03,350
Further allotment	October 17, 2017	18,30,00,000	10	10	18,30,000
Total		29,33,84,995			29,33,850

2.2 Capital Adequacy Ratio

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

Under Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 6, 2016, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the MTC, at least 7.5% shall be from Tier 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. The capital adequacy ratio of the Bank is set out below:

Particulars	As at March 31, 2018	As at March 31, 2017
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	21.45%	-
(ii) Additional Tier I Capital (%)	-	-
(iii) Tier II Capital (%)	0.30%	-
(iv) Total CRAR %	21.75%	-
(v) Percentage of the shareholding of the Government of India in Public Sector	-	-
vi) Amount raised by issue of Equity Shares	29,33,850	-
vii) Amount of Additional Tier I capital raised of which - Perpetual Non Cumulative Preference Shares (PNCPS) - Perpetual debt instruments (PDI)	-	-
viii) Amount of Tier II Capital raised of which	-	-
Preference share capital instruments	-	-

In accordance with operating guidelines for small finance banks, the Bank may approach Reserve Bank of India with details of liabilities to be grandfathered and for creation of additional capital charge. The bank has applied for grandfathering of borrowings to RBI vide letter dated May 19, 2018. In anticipation of response from RBI the Bank suo moto has applied an additional RWA of 25% on the borrowings.

3. Investments

3.1 Details of Investments

Particulars	As at March 31, 2018	As at March 31, 2017
1. Value of Investments		
(i) Gross Value of Investments		
(a) In India	16,91,024	-
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	16,91,024	-
(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	-	-

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

Particulars	As at March 31, 2018			As at March 31, 2017		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	-	16,91,024	-	-	-	-
ii) Other approved securities	-	-	-	-	-	-
iii) Shares	-	-	-	-	-	-
iv) Debentures and bonds	-	-	-	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-	-	-	-

3.3 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, 2018
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under				
i. Government securities	-	-	-	-
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, 2017
Securities sold under repos				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under				
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-

3.4 Disclosure in respect of Non-SLR Investment Portfolio:

(i) Issuer Composition of Non SLR Investments :

The Bank does not hold any Non SLR Investments as on March 31, 2018.

(ii) Non-performing Non-SLR investments:

The Bank does not have any non performing non-SLR Investments as on March 31, 2018.

3.5 During the period ended March 31, 2018 there was no sale/transfer of securities to/from HTM category.

4. Derivatives

The Bank did not have any transactions in derivative instruments during the year ended March 31, 2018.

5. Credit Default Swaps:

The Bank has not entered into any credit default swap transactions during the year ended March 31, 2018

6. Un-hedged foreign currency exposure

The Bank does not have any un-hedged foreign currency exposure as on March 31, 2018

7. Asset Quality

7.1 Non- Performing Assets

Particulars	March 31, 2018	March 31, 2017
(i) Net NPAs to Net Advances (%)	0.43%	-
Movement of Gross NPAs		
(a) Gross NPA as on October 17, 2017*	77,795	-
(b) Additions (Fresh NPAs) during the period #	14,963	-
Sub-total (A)	92,758	-
(c) Reductions during the period: #		
(i) Up-gradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-
(iii) Technical/ Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	-	-
Sub-total (B)		
Closing Balance (A-B)	92,758	-

* Pertains to NPA transferred to NESFB from RGVN- MFI on account BTA (Refer Note 1 of schedule 18)

Additions and deletions does not include cases which have become NPA and subsequently moved out of NPA between the period October 17, 2017 to March 31, 2018

Particulars	March 31, 2018	March 31, 2017
Movement of Net NPAs		
(a) Opening balance as on October 17, 2017*	11,885	-
(b) Additions during the period #	34,579	-
(c) Reductions during the year period #	-	-
(d) Closing balance	46,464	-
Movement of provision for NPAs (excluding provision for standard assets)		
(a) Opening balance as on October 17, 2017*	65,910	-
(b) Provisions made during the period	-	-
(c) Write back of excess provisions	(19,615)	-
(d) Closing balance	46,295	-

* Pertains to NPA transferred to NESFB from RGVN- MFI on account of BTA (Refer Note 1 of schedule 18)

Additions and deletions does not include cases which have become NPA and subsequently moved out of NPA between the period October 17, 2017 to March 31, 2018

8. Particulars of Accounts Restructured

The Bank does not have any restructured account as on and for the year ended March 31, 2018.

9. 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, 2018.

10. Details of Non Performing Assets Purchased/Sold .

The Bank did not sell/purchase any non financial asset during the year ended March 31, 2018.

11. Provision for standard assets

Bank has followed the prudential norms on income recognition, asset classification and provisions. The excess provisions over and above the same is as per the board approval.

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, 2018	March 31, 2017
The amount of provision held on standard assets	39,819	-

12. Business Ratios

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage of working funds	6.80%	-
Non interest income as a percentage of working funds	0.58%	-
Operating profit as a percentage of working funds	1.71%	-
Return on assets (average)	1.58%	-
Business (deposit plus advance) per employee	10,667	-
Profit per employee	207	-

1. Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the period October 2017 to March 2018
2. Returns on Assets are computed with reference to average working funds
3. Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

13. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31st, 2018

S.no.	Maturity buckets	Loans & advances	Investments *	Deposits	Borrowings
1	1 day	-	1,93,778	393	-
2	2 days to 7 days	1,147	-	2,452	-
3	8 days to 14 days	1,536	-	50,837	5,357
4	15 days to 30 days	8,478	6,70,916	57,007	-
5	31 days to 2 months	42,019	10,12,656	1,10,625	22,500
6	Over 2 months to 3 months	1,02,375	18,996	2,88,522	11,844
7	Over 3 to 6 months	3,47,654	1,01,478	5,10,097	1,86,574
8	Over 6 to 12 months	20,99,708	1,93,925	1,37,161	8,40,209
9	Over 1 year to 3 years	81,74,568	12,25,644	95,899	72,77,550
10	Over 3 years to 5 years	46,500	2,13,500	81	12,20,000
11	Over 5 years	-	6	31	12,50,000
		1,08,23,985	36,30,899	12,53,105	1,08,14,034

1. The maturity of 'Loans & Advances' has been determined on the basis of ultimate maturity date of the loans rather than on the basis of monthly installments due.
2. The bucketing is made as per the guidelines issued by Reserve Bank of India on the basis of initial data received by Asset Liability Management team from finance and accounts department, any adjustment/ revision in the figures is adjusted proportionately in all the buckets.
3. The Bank has no foreign currency assets & liabilities as on March 31, 2018.
4. In computing the above information, certain estimates and assumptions have been made by the Bank's management which have been relied upon by the auditors.
5. * Investments includes Term Deposits with other Banks/ FIs.

14. Exposure

Exposure to Real Estate Sector: The Bank does not have exposure to Real Estate Sector for year ended March 31, 2018:

Particulars	March 31, 2018	March 31, 2017
a) Direct exposure	-	-
i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	-	-
ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate's (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized		
- Residential	-	-
- Commercial Real Estate	-	-
Total (A)	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		-
Total (B)	-	-

₹ in '000

Schedule 18 A- Notes to Financial Statement

Exposure to Capital Market

Particulars	March 31, 2018	March 31, 2017
i. Direct investment in equity shares, convertible bonds, convertible debentures	-	-
ii. Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi. Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
xi. Others (Financial Guarantees)	-	-
Total Exposure to Capital Market	-	-

c) Risk category wise exposure

Since the country exposure is nil, no provision is required to be maintained on country exposure for the year ended March 31, 2018

Risk Category	Exposure (net) as at 31 March, 2018	Provision held as at 31 March, 2017
Insignificant	-	-
Low	-	-
Moderate	-	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	-	-

d. Details of Single Borrower Limit (SBL)/ Group Borrower Limit

"During the year there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher."

e. Unsecured Advances

There are no unsecured advances for which intangible security such as charge over the rights, licenses; authority, etc. are accepted as collateral by the Bank during the year ended March 31, 2018.

15. Disclosure of penalties imposed by RBI

During the year ended March 31, 2018, no penalty had been imposed by Reserve Bank of India.

16. 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, 2018	March 31, 2017
Provisions for Depreciation on Investments	-	-
Loss on valuation of securities on transfer between categories	-	-
Provision towards Non Performing Assets	(20,056)	-
Provision towards Standard Assets	12,706	-
General Provision against Advances	2,893	-
Provision towards Unhedged Foreign Currency Exposure	-	-
Provision made towards income tax	78,724	96
Deferred Tax asset	(55,194)	-
Other Provision & Contingencies	-	-
Total	19,073	96

17. Floating provisions

The bank does not have any floating provisions for the year ended March 31, 2018

Particulars	March 31, 2018	March 31, 2017
Opening Balance as at beginning of the period	-	-
Provisions made during the year	-	-
Draw-down made during the period	-	-
Closing Balance as at end of the period	-	-

18. Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2018.

19. Disclosure of Complaints**a) Customer Complaints**

Particulars	March 31, 2018	March 31, 2017
a) No. of complaints pending at the beginning of the year	-	-
b) No. of complaints received during the year	-	-
c) No. of complaints redressed during the year	-	-
d) No. of complaints pending at the end of the year	-	-

b) Awards passed by the Banking Ombudsman:

Particulars	March 31, 2018	March 31, 2017
a) No. of unimplemented Awards at the beginning of the period	-	-
b) No. of Awards passed by the Banking Ombudsman during the period	-	-
c) No. of Awards implemented during the period	-	-
d) No. of unimplemented Awards at the end of the period	-	-

a) Shareholder Complaints:

Particulars	March 31, 2018	March 31, 2017
a) No. of complaints pending at the beginning of the year	-	-
b) No. of complaints received during the year	-	-
c) No. of complaints redressed during the year	-	-
d) No. of complaints pending at the end of the year	-	-

20. 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, 2018

21. Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) of the Bank is 49.91% as on 31 March, 2018.

22. Bancassurance Business

The Bank has not commenced the Bancassurance Business as at 31st March 2018.

23. Concentration of deposits, advances, exposures and NPAs**a. Concentration of deposits:**

Particulars	March 31, 2018	March 31, 2017
Total deposits of twenty largest depositors	11,91,904	-
Total Deposits	12,53,105	-
Percentage of deposits of twenty largest depositors to total deposits of the Bank	95%	-

b. Concentration of Advances:

Particulars	March 31, 2018	March 31, 2017
Total advances to twenty largest customers	1,979	-
Total Advances	1,08,23,985	-
Percentage of Advances of twenty largest borrowers to total advances of the Bank	0.02%	-

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.

c. Concentration of exposures:

Particulars	March 31, 2018	March 31, 2017
Total exposure to twenty largest borrowers/customers	1,979	-
Percentage of exposures of twenty largest customers to total exposure of the Bank on borrowers/ customers	0.02%	-

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 and includes credit exposure.

d. Inter Bank Deposits

The bank has inter bank deposits exceeding the limits specified by the RBI. The same has been rectified in respective committee meetings.

e. Concentration of NPA's:

Particulars	March 31, 2018	March 31, 2017
Total Exposure to top four NPA accounts	194	-

f. Divergence in Asset Classification and Provisioning for NPAs

As per the RBI notification RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 an additional disclosure by way of notes to accounts regarding divergence in the asset classification and provisioning needs to be provided. Pursuant to the notification divergences observed by RBI for the financial year 2015-16 shall be made in the Notes to Accounts of Financial Statements for the year ended March 31, 2018.

Since, North East Small Finance Bank Limited has been incorporated on July 25, 2016 and since incorporation RBI inspection has not been carried out, the above disclosure is not applicable to the Bank for the period ended March 31, 2018.

24. Sector-wise Advances

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
Priority Sector			
1. Agricultural and Allied Activities	21,62,466	15,980	0.74%
2. Advances to Industries Sector eligible as Priority sector lending	72,65,491	68,305	0.94%
3. Services	12,73,243	7,737	0.61%
4. Personal Loans and others	1,51,740	736	0.49%
Sub-Total (A)	1,08,52,940	92,758	0.85%
Non Priority Sector			
1. Agricultural and Allied Activities	-	-	-
2. Industry	-	-	-
3. Services	-	-	-
4. Personal loans and others	17,339	-	-
Sub-Total (B)	17,339	-	-

The bank has compiled the data for the purpose of these disclosures from each financial accounting system which has been relied by the auditors.

25. Technical or Prudential Write Offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches.

Bank which remain outstanding in the books of the branches.

26. 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.

27. Off Balance Sheet SPVs sponsored

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

28. Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the composition and mandate of the Remuneration Committee.

"Composition: The committee shall comprise of three or more non – executive directors out of which not less than half shall be independent directors. The Chairman of the bank may be appointed as member of the Committee but shall not chair the Committee. The committee shall also include at least one member from the risk management committee of the Board. The majority of the members of the Committee shall be independent non executive director. The Chairman of the committee shall be appointed by the members of the committee, who shall be an independent director.

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.

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

Quantitative Disclosure

Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	
Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	During the period April 1, 2017 to March 31, 2018, two remuneration Committees were held. The members of the remuneration committee were paid aggregating sitting fees of Rs 30,000 for two meetings
Number of employees having received a variable remuneration award during the year.	No employees belonging to the category of WTD / CEO / Risk Takers/Other Control function staff had received a variable remuneration award
Number and total amount of sign-on awards made during the financial year.	Nil
Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
Details of severance pay, in addition to accrued benefits, if any	Nil
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
Total amount of deferred remuneration paid out in the financial year.	Nil
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil
Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

Disclosure on remuneration to Non - Executive Directors

The Independent and Non-Executive Directors are paid Sitting Fees for attending meetings of the Board at the rate of Rs.20000/- per Board meeting and at the rate of Rs.7500/- per committee meeting respectively. An amount of Rs. 321 thousands was paid as sitting fees to the Independent and Non-Executive Directors during the Oct 17, 2017 to March 31, 2018.

Name of Director	Remuneration
Deep Chandra Joshi	88
Ranjit Goswami	145
Gautam Barua	88
Total	321

29. Disclosures relating Securitization

S.No	Particulars	March 31, 2018	March 31, 2017
1	No. Of SPV's Sponsored by the bank for securitization transaction	-	-
2	Total amount of Securitized assets as per books of the SPVs sponsored by the bank	-	-
3	Total amount of exposures retained by the bank to comply with MRR as on date of balance sheet		
	a) Off Balance Sheet exposures		
	First Loss	-	-
	Others	-	-
	b) On Balance Sheet exposures		
	First Loss (Cash Collateral)	-	-
	Others (Credit Enhancement)	-	-
4	Amount of exposures to securitization transactions other than MRR as on the date of balance sheet		
	a) Off Balance Sheet exposures		
	Exposure to own Securitization		
	First Loss (Subordination of Interest Strip)	-	-
	Others	-	-
	Exposure to Third Party Securitization		
	First Loss	-	-
	Others	-	-
	b) On Balance Sheet Exposures		
	Exposure to own Securitization		
	First Loss	-	-
	Others	-	-
	Exposure to Third Party Securitization		
	First Loss	-	-
	Others	-	-

30. Intra Group Exposures

Rs. in 000

Particulars	March 31, 2018	March 31, 2017
Total amount of intra- group exposure	1,21,638	-
Total amount of top-20 intra-group exposure	1,21,638	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	1.01%	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if Any	-	-

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

Particulars	March 31, 2018	March 31, 2017
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred during the period	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

32. Unhedged foreign currency exposure

The Bank does not have any unhedged foreign currency exposure

33. Priority sector lending certificates

The Bank has not sold or purchased any Priority Sector Lending Certificates during the period ended March 31, 2018

34. Movement in provision for frauds included under other liabilities

Particulars	March 31, 2018	March 31, 2017
Opening provision	-	-
Provision during the year*	546	-
Utilization	-	-
Closing	546	-

*Provision during the year includes the liability acquired as a part of BTA (Refer Note 1 to Schedule 18 A)

35. 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:

Particulars	Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

	Quarter ended March 31, 2018		Quarter ended December 31, 2017	
	Unweighted	Weighted	Unweighted	Weighted
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)	-	15,96,305	-	11,20,148
Cash Outflows				
2. Retail deposits and deposits from small business customers,	2,343	234	629	63
i) Stable deposits	-	-	-	-
ii) Less stable deposits	2,343	234	629	63
3. Unsecured wholesale funding, of which	69,008			
i) Operational deposits (all counterparties)	69,008	6,901	-	-
ii) Non-operational deposits (all counterparties)	-	-	-	-
iii) Unsecured debt	-	-	-	-
4. Secured Wholesale funding	-	1,786	-	1,20,615
5. Additional requirements, of which	-	-	-	-
i) Outflows related to derivative exposures and other collateral	-	-	-	-
ii) Outflows related to loss of funding on debt products	-	-	-	-
iii) Credit and liquidity facilities	-	-	-	-
6. Other contractual funding obligations	2,69,118	2,69,118	3,43,539	3,43,539
7. Other contingent funding obligations	-	-	-	-
8. Total Cash Outflows	3,40,470	2,78,039	3,44,168	4,64,217
Cash Inflows				
9. Secured lending (e.g. reverse repos)	-	-	-	-
10. Inflows from fully performing exposures	2,10,342	1,05,171	2,52,905	1,26,453
11. Other cash inflows	6,78,158	6,78,158	20,94,539	20,94,539
12. Total Cash Inflows	8,88,500	7,83,329	23,47,444	22,20,992
13. TOTAL HQLA	-	15,96,305	-	11,20,148
14. Total Net Cash Outflows	-	69,510	-	1,16,054
15. Liquidity Coverage Ratio (%)	-	2297%	-	965%

As per requirement of RBI, LCR should be tracked on an ongoing basis and disclosure should be made in financial statements for each quarter on simple average basis of daily observations. However, the Bank is calculating LCR on monthly basis and accordingly disclosure has been made on simple average basis of monthly observations.

Other Disclosures

Rs. in 000

1. Earnings per Share:

Particulars	March 31, 2018	March 31, 2017
Net profit after tax (₹)	2,23,327	226
Weighted average shares outstanding - Basic (Nos.)	1,93,612	6,984
Weighted average shares outstanding - Diluted (Nos.)	1,93,612	6,984
Nominal Value of Equity Shares (₹)	10	10
Earnings per share - Basic (₹)	1.15	0.03
Earnings per share - Diluted (₹)	1.15	0.03

2. Segment Reporting

S. No.	Part A: Business Segments			
	Business Segments →	Treasury	Retail Banking	Total
	Particulars ↓	March 31, 2018	March 31, 2018	March 31, 2018
1	Revenue	1,55,522	8,89,277	10,44,799
2	Un allocated Revenue	-	-	-
3	(less) Inter segment revenue	-	-	-
4	Total Revenue (1+2-3)	1,55,522	8,89,277	10,44,799
5	Segment Result	(3,58,969)	6,42,578	2,83,609
6	Unallocated expenses	-	-	36,752
7	Operating profit	-	-	2,46,857
8	Provisions and Contingencies other than Tax	-	-	-
9	Tax expenses (including deferred tax)	-	-	23,530
10	Extraordinary profit/ loss	-	-	-
11	Net profit (5-6-8-9)	-	-	2,23,327
	Other information:			
12	Segment assets	39,66,556	1,14,70,643	1,54,37,199
13	Unallocated assets	-	-	72,027
14	Total assets	39,66,556	1,14,70,643	1,55,09,226
15	Segment liabilities	1,09,14,912	13,85,980	1,23,00,892
16	Unallocated liabilities	-	-	32,08,334
17	Total liabilities	-	-	1,55,09,226
18	Capital Expenditure	-	-	1,84,169
19	Depreciation	-	-	13,642

Note 1 The Bank has no corporate banking business.

Note 2 Tax paid in advance / tax deducted at source (net of provisions), others which cannot be allocated to any segments, have been classified as unallocated assets; The unallocated liabilities include share capital, reserves and surplus and others.

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 Rs. 13,240 thousands. The bank has taken on lease premises of corporate office for 8 years having lock-in period of 5 years. Minimum lease payment for non- cancellable lease are as follows.

Particulars	March 31, 2018	March 31, 2017
Not later than one year	9,777	-
Later than one year but not later than five years	29,582	-
Later than 5 years	-	-
The total of minimum lease payments recognized in the Profit and Loss Account for the year	4,888	-

4. Deferred Tax

S. No	Particulars of Asset/ Liability	Deferred Tax (Assets) / Liabilities as on April 1, 2017	Deferred Tax (Assets) / Liabilities arising out of BTA *	Current period (credit) / charge arising during the year	Deferred Tax (Assets) / Liabilities as on March 31, 2018
1	Depreciation	-	-	266	266
2	Provision for employee benefits	-	(15,061)	1,202	(13,859)
3	Provision for doubtful assets/ standard assets	-	(32,346)	1,542	(30,804)
4	ROC fee - pre commencement expense (1/5th allowed as per Sec.35D of Income Tax Act 1961)	-	-	-	(6,922)
5	Others	-	-	(3,875)	(3,875)
	Total		(47,407)	(865)	(55,194)

* Refer Note 1 to schedule 18 A

5. Fixed Assets - Tangible Assets

Particulars	March 31, 2018	March 31, 2017
Opening balance	-	-
Additions during the year*	91,169	-
Depreciation charge for the year#	5,277	-
Disposal of Assets during the year	3,868	-
Balance at the end of the period	82,024	-

*Additions include assets acquired as a part of the Business Transfer Agreement and has been valued at cost less depreciation up to October 16, 2017 as per schedule II of Companies act, 2013

#Assets written off during the year by Rs. 3,491 thousands, being the old assets taken over from RGVN- MFI

Fixed Assets - Intangible Assets

Particulars	March 31, 2018	March 31, 2017
Opening balance	-	-
Additions during the year*	90,727	-
Depreciation charge for the year#	8,364	-
Balance at the end of the period	82,363	-

*Additions include assets acquired as a part of the Business Transfer Agreement.

Additions include Goodwill of Rs. 52,014 thousands being the amount of purchase consideration paid in excess of the Net Assets taken over from RGVN- MFI.

Useful life of Transaction Processing Software at loan centers transferred as per BTA has been considered as 1 Year

Capital Commitments

Particulars	March 31, 2018	March 31, 2017
Estimated amount of contracts remaining to be executed (Net of advances) and not provided for	46,814	-

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, 2018 are disclosed below:

Rs. in 000

Name of Related party	Nature of Relationship
RGVN (North East) Microfinance Limited	Holding Company
Rupali Kalita	Key Managerial Person (MD and CEO) (From October 17, 2017)

a) Transactions during the year

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Liabilities				
Term Deposit	1,20,000	1,550	-	-
Saving Deposit (Net of withdrawal)	-	135	-	-
Reimbursement of expenses	-	83	-	-
Issue of equity shares	18,30,000	-	-	-
Interest Accrued and due	-	-	-	-
Asset				
Reimbursement of expenses	25,726	-	-	-
Expense				
Interest paid	1,820	32	-	-
Payment of Remuneration*	-	2,285	-	-
Reimbursement of Expenses	(25,726)	83	-	-

* The above remuneration excludes Bonus, Leave encashment & Gratuity

Note -In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

b) Balance outstanding as at year end are as follows

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Outstanding as at Year end				
Deposits	1,21,638	1,714	-	-
Other Liabilities and Provisions	4,274	-	25,003	-
Receivable as at year end				
Other Assets	-	189	-	-

c) Maximum Balance outstanding during the year

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Deposits	1,21,638	1,714	-	-
Other Liabilities and Provisions	30,000	-	25,003	-
Other Assets	-	189	-	-

7. Employee Shared Based Payments

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

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, 2018	March 31, 2017
Contribution towards provident fund	8,583	-
Contribution towards ESIC	-	-
Contribution towards Pension fund	-	-

(ii) Defined benefit plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	March 31, 2018	March 31, 2017
Opening Balance of Present value of obligation	-	-
Obligation transferred on account of BTA	31,683	-
Interest Cost	1,898	-
Current service cost	2,746	-
Benefits paid	(1,112)	-
Actuarial Loss/ (Gain) on obligation	(9,824)	-
Closing Balance of Present value of obligation	25,390	-

Expense recognised in profit and loss account

Particulars	March 31, 2018	March 31, 2017
Current service cost	2,746	-
Interest Cost	1,898	-
Expected return on plan assets	(761)	-
Net Actuarial loss recognised in the year	(9,895)	-
Income recognised in profit and loss account	(6,012)	-

Net Liability/(Asset) recognized in the Balance Sheet

Particulars	March 31, 2018	March 31, 2017
Fair value of plan assets	42,734	-
Present value of defined obligation	25,390	-
Excess of plan assets over present value of obligation	17,344	-
Net (liability) recognized in balance sheet	-	-

Change in Fair Value of Plan Assets during the year

Particulars	March 31, 2018	March 31, 2017
Opening balance of fair value of plan assets		
Plan assets acquired under BTA	22,773	
Expected return on plan assets	761	-
Actual Company Contributions	20,243	-
Benefits paid	(1,112)	
Actuarial gain/(loss) return on plan assets	70	
Closing balance of fair value of plan assets	-	

₹ in '000

Schedule 18 B- Notes to Financial Statement

Actuarial assumptions used

Particulars	March 31, 2018	March 31, 2017
Discount Rate	7.80%	-
Expected Return on plan assets	7.80%	-
Expected rate of salary increase	5%	-
Employee Atrition rate		
Upto 30 Yrs	5.21%	-
31-44 yrs	1.65%	-
Above 44 yrs	3.39%	-

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, 2018	March 31, 2017
(Gain)/Loss on Plan Liabilities	1,180	-
% of Opening Plan Liabilities	3.70%	-
(Gain)/Loss on Plan Assets	70	-
% of Opening Plan Assets	3.70%	-

(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, 2018	March 31, 2017
Privileged Leave (Actuarial Liability) at the beginning of the year*	11,837	-
Privileged Leave (Actuarial Liability) at the end of the year	14,656	-
Actuarial assumptions		
Discount Rate	7.80%	-
Salary Escalation rate	5%	-

* Obligation transferred on account of BTA (Refer Note 1 to Schedule 18 A)

9. 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. Since the bank is in the 2nd year of its incorporation provisions of CSR does not apply to the Bank as average profit of last 3 years is not available.

10. Subordinated Debt

The Bank has no outstanding subordinated debt as on 31 March 2018.

11. Contingent Liabilities

Description of Contingent Liabilities:

Particulars	March 31, 2018	March 31, 2017
Claims against the Company Not acknowledged as debt	19,769	-

Pursuant to business transfer agreement, the contingent liability in relation to service tax matters were transferred from RGVN (North East) Microfinance Limited to the Bank.

12. 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, 2018.

13. 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, Medium Enterprise development act, 2006. There are no interest payable or paid to any supplier under the said act.

14. Investor education and protection fund

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

15. Chief Finance Officer of Company

As on the date of signing of this financial statements position of Chief finance officer ('CFO') is vacant and the bank is in the process of appointing new CFO.

16. Disclosure on Specified Bank Notes (SBN's)

Since the Bank began its banking operations from October 17, 2017, the disclosure pertaining to SBNs is not applicable.

17. Comparative figures

The Bank was incorporated on July 25, 2016 under the provisions of the Companies Act, 2013 and licensed by 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. Bank started its operations from October 17, 2017. Hence, previous period figures are not comparable.

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

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

Chartered Accountants
Firm Registration Number: 105047W

sd/-
Swapnil Kale
Partner
Membership No. 117812

Guwahati
June 18, 2018

For and on behalf of the Board of Directors

sd/-
Rupali Kalita
DIN: 02114098
Managing Director & CEO

sd/-
Gautam Barua
DIN: 01226582
Independent Director

Guwahati
June 18, 2018

sd/-
Ranjit Goswami
DIN: 07368429
Independent Director

sd/-
Mukesh Singh Verma
M.No: FCS 6936
Company Secretary & CCO

NOTICE

Notice is hereby given that the 02nd Annual General Meeting of North East Small Finance Bank Limited will be held at 10:00 AM, on Tuesday the 25th day of September, 2018 at Board Room, 3rd Floor, Fortune Central Basistha Road, Basisthapur, Bye Lane No. 3, Beltola, Guwahati, Assam-781028 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, 2018 and Auditor's Report and the comments thereupon.
2. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass the following resolution with or without modification as an ordinary resolution:

"RESOLVED THAT pursuant to provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013, if any, read with the Companies (Audit & Auditors) Rules, 2014, and the applicable provisions of the Banking Regulation Act 1949 including any statutory enactment or amendments or modifications, thereof, M/s MSKA & Associates, Chartered Accountant, (Firm Registration No. FRN-105047W) be and is hereby appointed as the Statutory Auditors of the Company for a period of 1 year and to hold the office from the conclusion of this 2nd Annual General Meeting till the conclusion of 3rd 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 re- appoint Mr. Ranjit Goswami who retires by rotation, and being eligible, offers himself for re-appointment.

"RESOLVED THAT Mr. Ranjit Goswami, director be and is hereby re-appointed as the Director of the Company and shall be liable to retire by rotation"

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, read with Schedule IV to the Act, as amended from time to time, Mr. Bhaskar Jyoti Sarma (DIN 05282550), who was appointed by the Board of Directors of the Company as an Independent Director (Additional) of the company w.e.f 24.08.2018 and who has submitted a Declaration that he meets the criteria for Independence as provided in Section 149(6) of the Companies Act 2013 and as per the Banking Regulation Act 1949 and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company with effect from September 25, 2018 for a period of 5(five) years."

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

Place: Guwahati

Date : 24.08.2018

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

NOTES

1. A member entitled to attend and vote at the 2nd 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 authorised 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) authorised 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 2017-18 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 : 24.08.2018

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

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

Item No. 4:

Mr. Bhaskar Jyoti Sarma (DIN 05282550) was appointed as an Independent Director with effect from August 24, 2018, in terms of Section 161 (1) of the Companies Act, 2013, in the category of 'Non-Executive Independent Director'. In terms of the aforesaid section of the Companies Act, 2013, an Additional Director shall hold office upto the date of the next Annual General Meeting and be eligible for appointment as director at ensuing Annual General Meeting in terms of Section 160 and 161 of the Companies Act, 2013. Bank has received a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the act and consent to act as Director has also been received along with a declaration under Section 164(2) of the Companies Act, 2013 read with the rules made there under, confirming he is not disqualified to be reappointed as a Director of the Bank. The Board is of the opinion that his continued association with the Bank would be beneficial to the Bank. Further, in the opinion of the Board, Mr. Bhaskar Jyoti Sarma fulfills the conditions for independence as specified under Section 149 and schedule IV of the Companies Act, 2013 and the Rules made there under and he is independent of the management. He also complies with the 'fit and proper' criteria laid down under Banking Regulation Act, 1949.

He has a vast experience of over 35 years in Banking Sector Particularly in Agriculture and Rural Economy, SME & Retail Sector. In order to ensure compliance with the provisions of Sections 149 and 152 of the Companies Act, 2013 read with Rules made thereunder and Schedule IV of the Act, approval of the shareholders be and is hereby requested for the appointment of Mr. Bhaskar Jyoti Sarma as an Independent Director for a period of 5 years commencing from August 24, 2018. No Director other than Mr. Bhaskar Jyoti Sarma himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 4.

Further, Mr. Bhaskar Jyoti Sarma is not related to any other Director or Key Managerial Personnel of the Bank. The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 4 of the Notice.

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

Place: Guwahati

Date: 24.08.2018

Sd/-
Mukesh Singh Verma
Company Secretary & CCO

NORTH EAST SMALL FINANCE BANK LIMITED

(CIN: U65100AS2016PLCO17505)

**Registered Office: 1st & 3rd Floor, Fortune Central, Basistha Road,
Basisthapur, Byelane No:3, Guwahati-781028****Website: www.nesfb.com, Email: contact@nesfb.com****Phone No: +91 361 7180001,****2nd ANNUAL GENERAL MEETING- TUESDAY, SEPTEMBER 25, 2018 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 2nd Annual General Meeting of the Company at Board Room, 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Bye lane No:3, Guwahati-781028 on Tuesday, September 25, 2018.

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

Stikeout 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"**.

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,
Byelane No:3, Guwahati-781028**

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

3. 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 2nd Annual General Meeting of the company, to be held on Tuesday, 25th September, 2018 at 10:00 AM, at Board Room, 3rd Floor, Fortune central, Basistha Road, Basisthapur, Byelane No:3, 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.	Adoption of Audited Financial Statements alongwith the Report of the Board of Directors and Auditors for the financial year ended March 31, 2018		
2.	To Appoint M/s. MSKA & Associates, Chartered Accountants, Firm Registration No. 105047W, as Statutory Auditors of the Company for a period of 1 (One) Financial Years.		
3.	To re- appoint Mr. Ranjit Goswami who retires by rotation, and being eligible, offers himself for re-appointment		
4..	To Appointment Mr. Bhaskar Jyoti Sarma as an Independent Directors of the Company for a period of 5 Years.		

Signed this..... day of..... 2018

Affix Revenue
Stamp

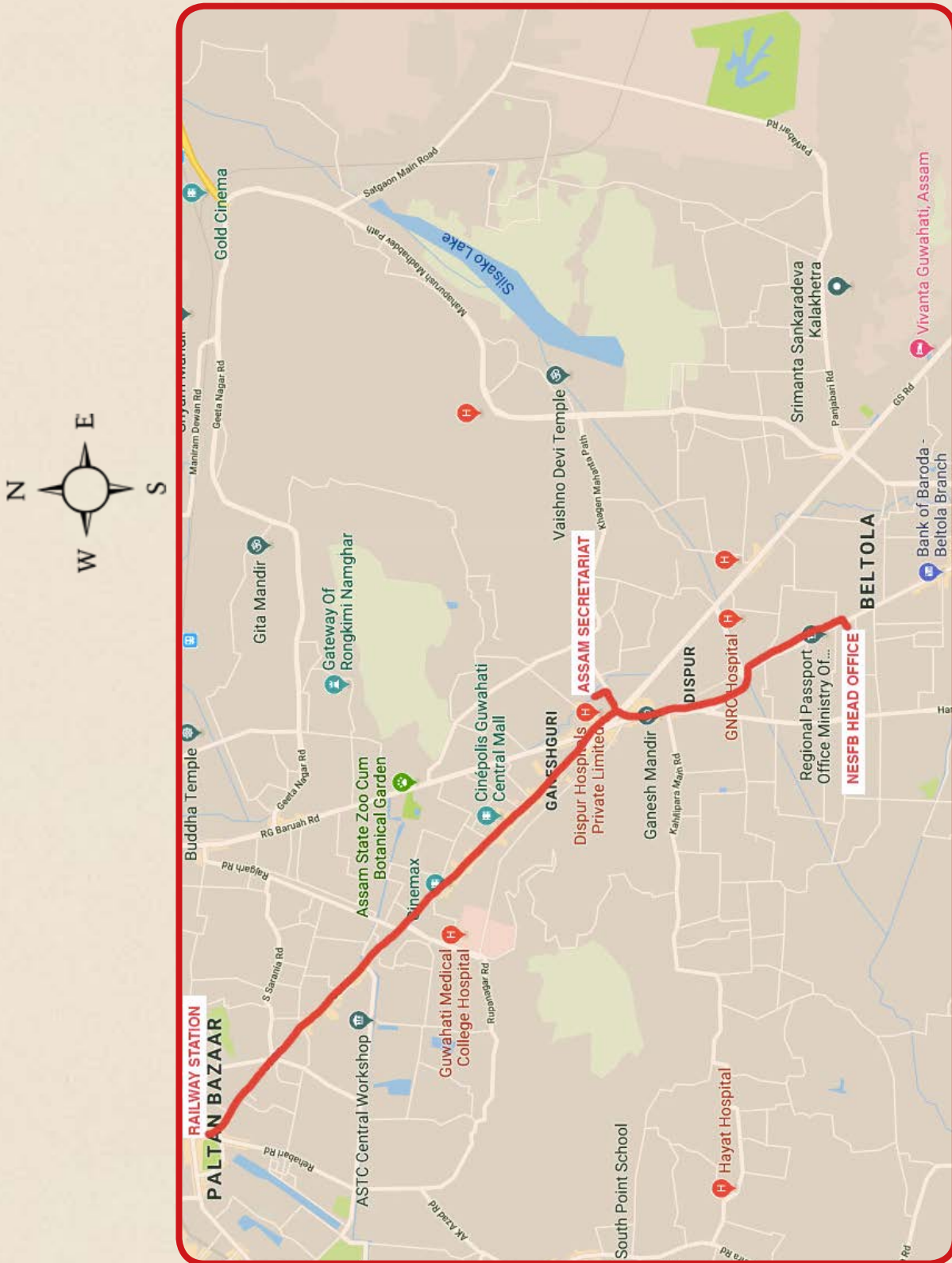
Signature of Shareholder

Note:-

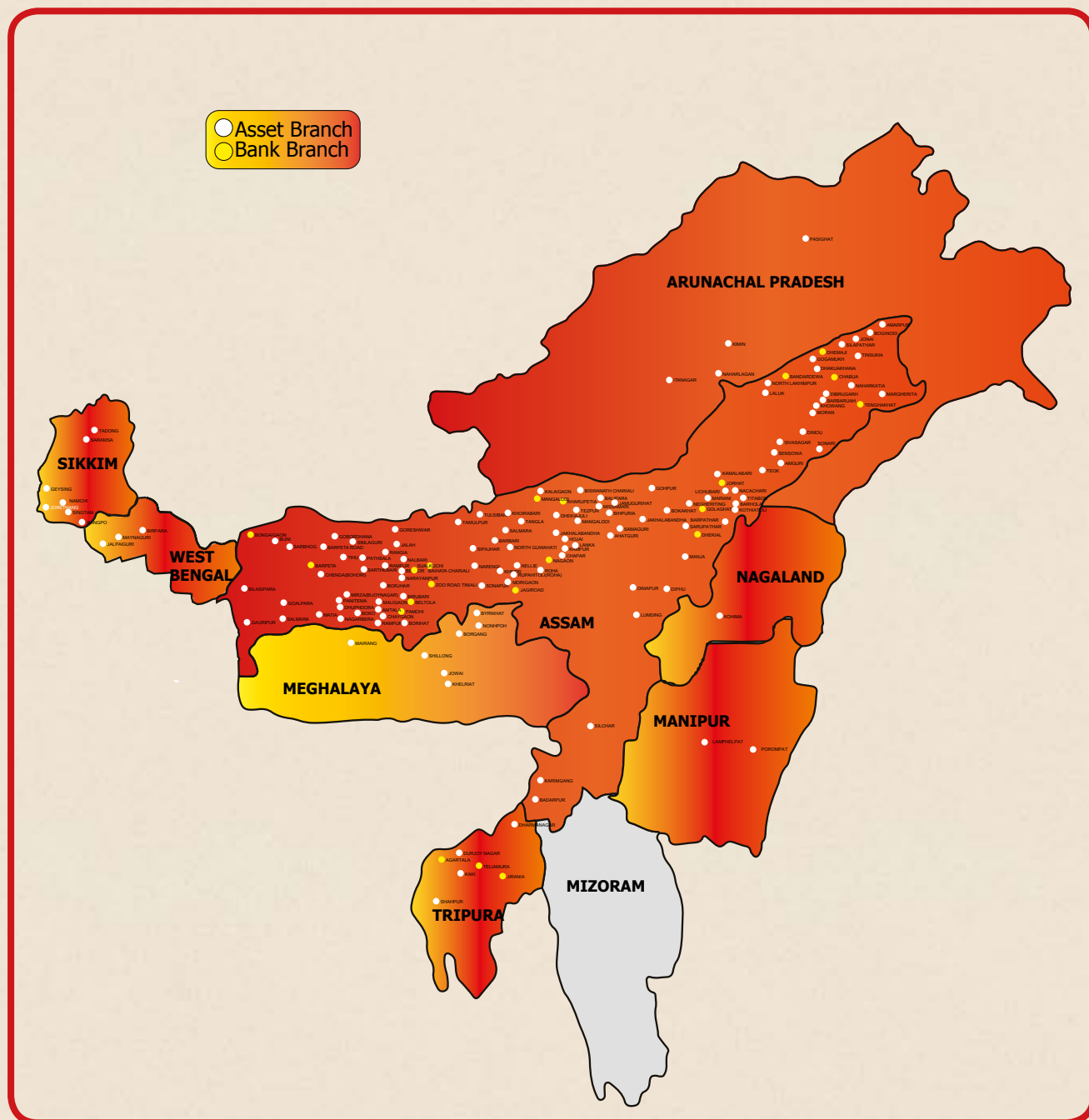
1. This form of Proxy in order to be effective should be duly completed and deposited at Registered & Corporate Office: 1st & 3rd Floor, Fortune Central, Basistha Road, Basisthapur, Byelane No:3, Guwahati, Assam-781028, not less than 48 hours before the schedule time of the meeting.
2. A person can act as Proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the company may appoint a single person as a Proxy and such person cannot act as a Proxy for any other person or shareholder.
3. It is optional to put a "X" in the appropriate column against the Resolutions indicated in the Box. If you leave the "For" or "Against" column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

ROAD MAP

AGM VENUE - NESFB



NESFB BRANCHES





Don't judge each day by the harvest you reap
but by the seeds that you plant.

Robert Louis Stevenson



North East
Small Finance Bank
Your Doorstep Banker

North East Small Finance Bank Ltd
1st & 3rd Floor, Fortune Central,
Basistha Road, Basisthapur,
Bye lane 3, Beltola, Guwahati,
Assam 781028
Contact: +91 361 2464612
www.nesfb.com