

Independent Auditors' Report

To
The President of India

Report on Financial Statements

1. We have audited the accompanying financial statements of INDIAN BANK (the "Bank") as at March 31, 2015, which comprise the Balance Sheet as at March 31, 2015 and 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. Incorporated in these financial statements are the returns of 20 branches and a Treasury Branch audited by us, 1306 branches audited by Branch Auditors and 3 foreign branches audited by local auditors. The Branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit & Loss Account are the Returns from 1081 branches, which have not been subjected to audit. These un-audited branches account for 7.45 per cent of advances, 28.72 per cent of deposits, 4.59 per cent of interest income and 24.17 per cent of interest expenses.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with the provisions of the Banking Regulation Act, 1949, requirements of Reserve Bank of India and applicable Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing 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.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion, as shown by books of the Bank, and to the best of our information and according to the explanations given to us:

- (i) the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2015, in conformity with accounting principles generally accepted in India;
- (ii) the Profit and Loss Account, read with the notes thereon shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by the account; and
- (iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to:

- a. Note No. 9.3.1 of Schedule 18 to the financial statements, which describes charging of pension liability and gratuity liability of the Bank to the extent of ₹ 195.85 Crores pursuant to the exemption granted by the Reserve Bank of India to the Public Sector Banks from application of the provisions of Accounting Standard (AS) 15, Employee Benefits, vide its circular dated 09.02.2011.

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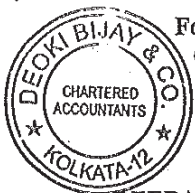
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- b. Note No. 8.6 of Schedule 18 regarding utilisation of a sum of ₹ 46.76 Crores from Floating Provisions towards specific provision for Non Performing Assets as permitted by Reserve Bank of India vide its circular dated 30th March, 2015 and also pursuant to Bank's Board approved policy.
- c. Note No.12.of Schedule 18 to the financial statements, consequent to change in policy:
 i) The Provisioning for all non performing assets classified as substandard (secured exposure) w.e.f. 01.10.2014 has been decreased from 25% to 15%, in line with IRAC norms of Reserve Bank of India (RBI), due to such change provision for NPA is decreased by ₹ 85.04 crore.
 ii) Reversal of excess provision of earlier years of ₹ 31.51 crores, pursuant to Reserve Bank of India circular No.DBR.No.BP.BC.75/21.04.048/2014-15 dt 11th March, 2015, regarding treatment of profit and loss made on sale of financial assets.

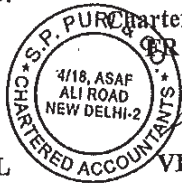
Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949.
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject also to the limitations of disclosures required therein, 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, have been within the powers of the Bank.
- c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.



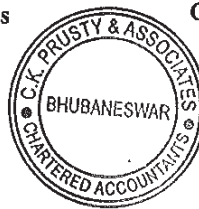
For DEOKI BIJAY & CO.
Chartered Accountants
FR No.31310SE

Deepak Kumar Agarwal
DEEPAK KUMAR AGARWAL
Partner
(M. No.401163)



For S. P. PURI & CO.
Chartered Accountants
FR No.001152N

Vidur Puri
VIDUR PURI
Partner
(M. No.090163)



For C. K. PRUSTY & ASSOCIATES
Chartered Accountants
FR No.323220E

G. V. Jayabal
G. V. JAYABAL
Partner
(M. No.015616)



For PADMANABHAN RAMANI & RAMANUJAM
Chartered Accountants
FR No.002510S

P. Ranga Ramanujam
P. RANGA RAMANUJAM
Partner
(M. No.22201)



For G. BALU ASSOCIATES
Chartered Accountants
FR No.000376S

G. Balasubramanyan
G. BALASUBRAMANYAN
Partner
(M. No.7628)

Place : Chennai
Date : 14.05.2015

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO

THE BOARD OF DIRECTORS
INDIAN BANK

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of INDIAN BANK ("the Bank") and its subsidiaries and associates collectively hereinafter referred to as "the Group" and the consolidated financial statements comprise the consolidated Balance Sheet as at 31st March 2015, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended together with a summary of significant accounting policies and other explanatory information. The consolidated financial statements are based on –
 - (a) Financial statements of the Bank audited by us;
 - (b) Financial statements of two subsidiaries audited by other auditors; and
 - (c) Financial statements of three Associates audited by other auditors.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
3. These Consolidated Financial Statements have been prepared by the Bank in accordance with the requirements of AS 21 (Consolidated Financial Statements), AS 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and AS 27 (Financial Reporting of Interest in Joint Venture) issued by the Institute of Chartered Accountants of India (ICAI) and the guidelines issued by the Reserve Bank of India

Auditor's Responsibility

4. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing 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 consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

7. In our opinion, and to the best of our information and according to the explanations given to us and based on the considerations of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2015;
- in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on the date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

8. Without qualifying our opinion, we draw attention to:


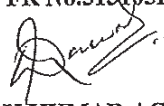
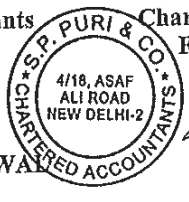




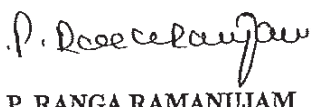


- Note 7.1.1 of Schedule 18 to the Consolidated Financial Statements, which describes charging of pension liability and gratuity liability of the Group to the extent of ₹ 195.85 Crores pursuant to the exemption granted by the Reserve Bank of India to the Public Sector Banks from application of the provisions of Accounting Standard (AS) 15, Employee Benefits, vide its circular dated 09.02.2011.
- Note No. 19 of Schedule 18 to the Consolidated Financial Statements regarding utilisation of a sum of ₹ 46.76 Crores from Floating Provisions towards specific provision for Non Performing Assets as permitted by Reserve Bank of India vide its circular dated 30th March, 2015 and also pursuant to Bank's Board approved policy.
- Note No.20. of Schedule 18 to the Consolidated Financial Statements, consequent to change in policy:
 - The Provisioning for all non performing assets classified as substandard (secured exposure) w.e.f. 01.10.2014 has been decreased from 25% to 15%, in line with IRAC norms of Reserve Bank of India (RBI), due to such change provision for NPA is decreased by ₹ 85.04 crore.
 - Reversal of excess provision of earlier years of ₹ 31.51 crores, pursuant to Reserve Bank of India circular No.DBR.No.BP.BC.75/21.04.048/2014-15 dt 11th March, 2015, regarding treatment of profit and loss made on sale of financial assets.

Other Matters

9. We did not audit the financial statements of-

- Two Subsidiaries, whose financial statements reflect total assets (net) of ₹ 24.25 Crores as at 31st March 2015, total revenues of ₹9.53 Crores and net cash outflows amounting to NIL for the year then ended;
- Three Associates reflecting share of net profit of the Group of ₹ 37.06 Crores for the year then ended.

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.

 For DEOKI BIJAY & CO. Chartered Accountants FR No.313105E  P. RANGA RAMANUJAM Partner (M. No.401163)	 For S. P. PURI & CO. Chartered Accountants FR No.001152N  VIDUR PURI Partner (M. No.090163)	 For C. K. PRUSTY & ASSOCIATES Chartered Accountants FR No.323220E  G. V. JAYABAL Partner (M. No.015616)
 For PADMANABHAN RAMANI & RAMANUJAM Chartered Accountants FR No.002510S  P. RANGA RAMANUJAM Partner (M. No.22201)	 For G. BALU ASSOCIATES Chartered Accountants FR No.000376S  BALASUBRAMANYAN Partner (M. No.7628)	

Place : Chennai
Date : 14.05.2015