

INDEPENDENT AUDITORS' REPORT

To
The President of India

Report On the Financial Statements

1. We have audited the accompanying financial statements of PUNJAB NATIONAL BANK as at 31st March, 2014, which comprise the Balance Sheet as at March 31, 2014, 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 audited by us and 2550 branches audited by branch auditors (including 1 off shore banking unit and 42 other offices) and 4 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 and Loss Account are the returns from 3883 branches which have not been subjected to audit. These unaudited branches account for 9.46 per cent of advances, 31.22 per cent of deposits, 8.40 per cent of interest income and 29.05 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 Section 29 of the Banking Regulation Act 1949 and to disclose the information as may be necessary to conform to form 'A & B' respectively of the Third Schedule to the Banking Regulation Act, 1949. These financial statements comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. 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 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 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 purpose of expressing an opinion on the effectiveness of entity'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.

Emphasis of Matter

6. In accordance with the Standard on Audit [SA] 706 "Emphasis of Matter Paragraph", without qualifying our opinion, we draw attention to:

(i) Note No.15 in schedule 18 to the financial statements, which describes deferment of pension and gratuity liability of the bank to the extent of Rs. 664.73 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 no. DBOD. BP. BC/80/21.04.018/2010-11 on Re-opening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits-Prudential Regulatory Treatment.

(ii) Note No.20 in schedule 18 to the financial statements, which describes pursuant to the Reserve Bank of India Notification DBOD.BP.BC.77/21.04.018/2013-14 dated 20.12.2013 Deferred Tax Liability of Rs.231.52 crore for the Special Reserve created under section 36 (1) (viii) of the Income Tax Act 1961 up to 31.03.2013, not previously charged to Profit & Loss Account, has now been adjusted directly from the Revenue Reserve.

Opinion





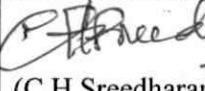
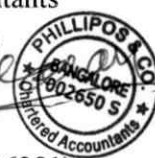


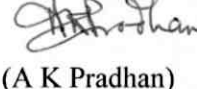



7. In our opinion, as shown by books of bank, and to the best of our information and according to the explanations given to us:

- (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 31st March 2014 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.



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 disclosure required therein, we report that:
- 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.
 - The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - 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 read in conjunction with the Para on Emphasis of Matter.

<p>For G S Madhava Rao & Co Chartered Accountants FRN : 001907S</p>   <p>(G Manikya Prasad) Partner (M.No. 020105)</p>	<p>For Borkar & Muzumdar Chartered Accountants FRN : 101569 W</p>   <p>(Devang Vaghani) Partner (M.No. 109386)</p>	<p>For Phillipos & Co Chartered Accountants FRN : 002650S</p>   <p>(C H Sreedharan) Partner (M.No. 006281)</p>
<p>For K N Gutgutia & Co Chartered Accountants FRN : 304153E</p>   <p>(B R Goyal) Partner (M.No. 012172)</p>	<p>For CVK & Associates Chartered Accountants FRN : 101745W</p>   <p>(A K Pradhan) Partner (M.No. 032156)</p>	<p>For Ramesh Kapoor & Co Chartered Accountants FRN : 001477N</p>   <p>(Ramesh Kapoor) Partner (M.No. 080725)</p>

Date: 13th May 2014

Place: New Delhi