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INDEPENDENT AUDITORS' REPORT

To

The Members of
Indraprastha Sehkari Bank Ltd.

Report on the Financial Statements

We have audited the accompanying Financial Statements of **Indraprastha Sehkari Bank Limited** ("the Bank"), which comprise the Balance Sheet as at March 31, 2026, the Statement of Profit and Loss for the year ended on that date, and a summary of the significant accounting policies and other explanatory information along with returns of 5 branches audited by us (hereinafter referred to as "the Financial Statements").

1. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by Section 29 of the Banking Regulation Act, 1949 ("the Act") in the manner so required and give a true and fair view in conformity with the Standards on Auditing (SA's) and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2026, the loss for the year ended on that date.

2. Basis of Opinion

We conducted our audit of the Financial Statements in accordance with the Standards issued by Institute of Chartered Accountants (ICAI). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

3. Emphasis of Matter

Attention is invited to following Notes of Schedule 18 – Notes Forming Part of the Financial Statements:

i. Note No. 10 wherein the Bank has incurred Loss on Revaluation of Investments in Available For Sale (AFS) category as on 31.03.2026 of Rs. 96,57,000.00. The Other Income has been reduced by Rs. 84,89,000.00 & Contingent Provision against Depreciation in Investment has been increased by same amount resulting in increasing the balance from Rs. 11,68,000.00 (31.03.2025) to Rs. 96,57,000.00 (31.03.2026) in accordance with RBI's Master Direction on Investment Classification and Valuation.

Our opinion is not modified in respect of these matters.

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4. Information Other than the Financial Statements and Auditor's Report thereon

The Bank's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Bank's Annual report by the Board of Directors, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. Management's Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the applicable Accounting Standards issued by the ICAI, and the provisions of The Banking Regulation Act, 1949 (as applicable to Co-Operative Societies) as amended by the Banking Regulation (Amendment) Act, 2020 and rules made there under, the circular and guidelines issued by the Reserve Bank of India (RBI) and the Registrar of Cooperative Societies, Delhi from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities: selection and application of appropriate accounting policies, making judgements 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 in preparing the financial statements, the management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Bank's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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i. Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal controls relevant to the audit 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 the Bank's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

7. Report on Other Legal and Regulatory Requirements:

i. The Balance Sheet and the Profit & Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949.

ii. Subject to the limitation of the audit indicated in Paragraph 1 to 6 above and subject also to the limitations of disclosure 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 purpose of the audit and have found them to be satisfactory.

b) The transactions of the bank which have come to our notice have been within the power of the bank.

iii. Further, as required by Annex I (2) enclosed to Appointment Letter, we comment that:

a) We have verified that the Bank has complied with the provisions of the Master Circular on Management of Advances. The calculation of interest rates on advances has been carried out in accordance with **Reserve Bank of India** instructions issued vide circular/notification nos. **DOR.CRE.REC.196/07-01-005/2025-26, DOR.CRE.REC.199/07-02-005/2025-26, DOR.CRE.REC.202/13.03.000/2025-26 and DOR.STR.REC.206/21.04.048/2025-26** dated November 28, 2025, under the relevant provisions of the respective Directions

b) We have reviewed the 'Other Assets' schedule in the Bank's Balance Sheet and confirm that no amount which is due and recoverable is outstanding under 'Other Assets' for a period exceeding three years as on March 31, 2026. Further, we have verified the composition of 'Other Assets' and confirm that no intangible items have been included under this head.

c) We have reviewed the status of compliance with the pending observations from the previous year's Statutory Audit Report. No material divergences identified by SSM. No persisting deficiencies with systemic or bank-wide impact were observed.

d) As on March 31, 2026, the Bank does not hold any Non-Banking Assets (NBAs). No instances of conversion of NPAs to NBAs, booking of unrealized income, or income recognition without actual cash flow were observed. Consequently, compliance with applicable RBI guidelines, accounting standards, and legal provisions in this regard stands maintained.

e) We have verified that interest on deposits has been paid in accordance with the Master Direction Directions, 2025' issued vide notification number DOR.SOG(SPE).REC.195/13.03.00/ 2025-26, dated November 28, 2025. No deviations were observed.

f) As informed to us by the management of the Bank, one internal account, namely "Advance for Investment in Government Securities", was opened during the year, and no internal accounts were closed during the year. The Bank has a Board-approved policy/SOP in place for the management of internal accounts, with system-based controls, exception reporting, and adequate monitoring. The utilisation of internal accounts was found to be in accordance with the applicable regulatory guidelines. No instances of bypassing AML/CFT guidelines or evergreening of NPAs through internal accounts were observed.

g) Based on our review, no instances of evergreening of loans identified through window dressing, fund routing either through the bank or through the banking system genuineness of related party transactions to borrower-linked entities and the end-use thereof, etc.

h) The Bank has complied with the provisions of RBI Directions, 2025' issued vide notification number DOR.CAP.REC.194/09-18-201/2025-26 dated November 28, 2025 relating to the prudential treatment of Bad and Doubtful Debt Reserve (BDDR).

i) The Bank's Housing finance and Real estate exposures have been reviewed and found in compliance with Chapter II of the Reserve Bank of India UCB Directions, 2025' issued vide notification nos. DOR.CRE.REC.200/07-03-005/2025-26 and DOR.CRE.REC.196/07-01-005/2025-26 dated November 28, 2025.

j) As informed to us by the management of the Bank, no fraud or fraudulent activity in any transaction has arisen during the year. Accordingly, the requirements of provisioning and reporting under FMR-1 do not arise.

We have reviewed the fraud risk management system and related processes of the Bank and found them to be appropriate and in compliance with the directives issued by the RBI. The internal control framework was found adequate for the early detection and prevention of fraud.

The Bank is adhering to the Master Directions on Fraud Risk Management dated July 15, 2024. No instances indicating possible fraudulent transactions came to our notice during the audit.

k) We have verified that the Bank, being a Level II Urban Co-operative Bank (UCB), has complied with Reserve Bank of India circular no. CO.DOS.RSD.No.S107/31-01-097/2021-2022 dated May 18, 2021 on 'Strengthening the controls of payment ecosystem between Sponsor Banks and SCBs/UCBs as a corporate customer' under RBI's Comprehensive Cyber Security Framework.

l) We have verified that the UCB has complied with the prudential norms as per Chapter II of the Reserve Bank of India notification nos. DOR.CRE.REC.200/07-03-005/2025-26, DOR.CRE.REC.196/07-01-005/2025-26 and DOR.STR.REC.201/21.04.048/2025-26 dated November 28, 2025

iv. Further, as required by Annex II enclosed to Appointment Letter, we comment that:

a) The CBS is capable of correctly identifying and marking eligible accounts as inoperative accounts, as well as identifying all inoperative accounts that are eligible for transfer to the DEA Fund.

b) The CBS & MIS have adequate data integrity controls to eliminate the possibility of data manipulation/ fabrication in the CBS systems and misreporting, non-compliance, etc. The CBS is capable of generating exception report and the same is monitored by the management.

c) Risk Based Internal Audit (RBIA) is not applicable as the Bank has an asset size of less than ₹ 500 crores during the financial year.

d) All accounts are accurately and timely reported by the bank to CICs.

e) There are no instances of under provisioning identified during the audit. Further, income/interest income from NPAs are accounted for on receipt basis.

f) The requirement under RBI Circular CO.DOS.CSITEG.No. S8024/31.01.015/2023-24 dated January 11, 2024 is not applicable to the Bank, as it does not have a Treasury operation and LCBD portfolio.

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g) The Deferred Tax Assets (DTA) created by the Bank amounting to Rs. 27,86,252.00 relate to timing differences and have been recognised in accordance with AS 22 and applicable RBI guidelines.

h) The Bank is not under the Prompt Corrective Action framework during the year ended March 31, 2026. Thus the RBI Circular DOS.CO.PPG.SEC.No.8/11.01.005/2024-25 dated July 26, 2024 is not applicable to the Bank.

i) The matters of material significance, such as failure to comply with licensing criteria, breaches of banking or other laws, or significant deficiencies in the financial reporting process, have not come to our notice during the course of our audit.

j) The Bank falls under the classification of a Tier II Urban Co-operative Bank for the year ended March 31, 2026; accordingly, the provisions relating to the effectiveness of the Early Warning Signal (EWS) framework, applicable to Tier 3 and Tier 4 UCBs, are not applicable to the Bank.

For Rajesh Ritika & Associates
(Chartered Accountants)
FRN :015433N

Date : 24.06.2026
Place : New Delhi
UDIN : 26094293UYNPNV2314

Rajesh Ritika & Associates CA FRN-015433N DELHI Chartered Accountants

CA Rajesh Kumar
(Partner)
M.No.: 094293