



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

AUDITORS' REPORT

On the financial statements of the United Overseas Bank- Mumbai Branch under Section 30 of the Banking Regulation Act, 1949.

We have audited the attached Balance Sheet of the United Overseas Bank Limited - Mumbai Branch (hereinafter referred to as the 'Bank') as on 31st March 2012, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, of India read with the provision of sub-section (1), (2) and (5) of Section 211 and sub section (5) of section 227 of the Indian Companies Act, 1956, the Balance Sheet and the Profit & Loss Account are not required to be drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are therefore drawn up in conformity with Form A and B of the Third Schedule to the Banking Regulation Act, 1949.

We report that:

- (i) 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.
- (ii) The transactions of the Bank which have come to our notice have been in our opinion within the powers of the Bank.
- (iii) In our opinion, proper books of account, as required by law have been maintained by the Bank in so far as appears from our examination of those books.
- (iv) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- (v) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Indian Companies Act, 1956, in so far as they apply to Banks and are not inconsistent with the Banking Regulation Act 1949 and the method of accounting and disclosure prescribed by the Reserve Bank of India.
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the principal accounting policies and the notes thereon give the information required by the Indian Companies Act, 1956, in the manner so required for Banking Companies and on such basis give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Bank as on 31st March 2012;
 - (b) in the case of the Profit & Loss Account, of the profit of the Bank for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For and on behalf of A.P. SANZGIRI & CO.

Chartered Accountants

Firm Registration number: 116293W

Sd/-

per Satish Kumar Gupta

Partner

Membership No.: 101134

Mumbai

June 20, 2012



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Balance Sheet as at 31 March 2012				Profit and Loss Account for the year ended 31 March 2012		
	Schedule	As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)	Schedule	As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)
CAPITAL AND LIABILITIES				I. INCOME		
Capital	1	1,474,018	1,287,720	Interest earned	13	103,163
Reserves and Surplus	2	4,063	–	Other income	14	2,836
Deposits	3	10	10	TOTAL		105,999
Borrowings	4	–	–	II. EXPENDITURE		
Other Liabilities and Provisions	5	94,987	85,297	Interest expended	15	–
Total		1,573,078	1,373,027	Operating expenses	16	84,913
ASSETS				Provisions and Contingencies	17	4,835
Cash and balances with Reserve Bank of India	6	8,842	8,842	TOTAL		89,748
Balances with Banks and Money at Call and Short Notice	7	1,471,295	1,264,509	III. PROFIT/(LOSS)		
Investments	8	–	–	Net Profit/(Loss) for the period		16,251
Advances	9	–	–	Profit/(Loss) brought forward		(56,400)
Fixed Assets	10	11,355	10,604	TOTAL		(40,149)
Other Assets	11	81,586	89,072	IV. APPROPRIATIONS		
Total		1,573,078	1,373,027	Transfers to / (from)		
Contingent Liabilities	12	25,746	1,036	Statutory Reserve		4,063
Bills for collection		–	–	Balance carried over to balance sheet		(44,212)
Significant Accounting Policies and Notes to the accounts	18			TOTAL		(40,149)
				Significant Accounting Policies and Notes to the Financial Accounts	18	

Schedules referred to herein form an integral part of the Balance Sheet.

Schedules referred to herein form an integral part of the Profit and Loss Account.

As per our report of even date

For A. P. Sanzgiri & Co.
Chartered Accountants
Firm Registration number: 116293W

For United Overseas Bank Limited – Mumbai Branch

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

Sd/-
Lourdes Premkumar Sinnappan
General Manager

Sd/-
Ashish Vaidya
Accounts Manager

Date: June 20, 2012
Place: Mumbai



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

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Cash Flow Statement for the year ended March 31, 2012

	Year ended 31-March-12 (Rs.000)	Period ended 31-March-11 (Rs.000)
<u>Cash flow from operating activities</u>		
Net profit for the year before tax	16,251	(3,203)
<u>Adjustments for:</u>		
Depreciation charge for the year	2,717	2,652
Rent straight lining	–	655
Add : Provision for Tax	4,835	–
(Less) : Interest Income	–	–
Add : Increase in Liabilities and Provisions	4,855	4,655
(Less) : Increase in Other receivables	(4,703)	(10,479)
(Less) : Tax deducted at source on interest Income	–	–
Increase in deposits	–	10
Net cash flow from operating activities	23,955	(5,710)
<u>Cash flow from investing activities</u>		
Purchase of fixed assets	(3,467)	(1,399)
Interest on Fixed Deposits Received	–	–
Net cash used in investing activities	(3,467)	(1,399)
<u>Cash flow from financing activities</u>		
Infusion of capital	186,298	–
Net cash generated from financing activities	186,298	–
Net (decrease)/increase in cash and cash equivalents	206,786	(7,109)
Cash and cash equivalents as at beginning of the year	1,273,351	1,280,460
Cash and cash equivalents as at end of the year	1,480,137	1,273,351

For A. P. Sanzgiri & Co.
Chartered Accountants
Firm Registration number: 116293W

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

Date: June 20, 2012
Place: Mumbai

For United Overseas Bank Limited – Mumbai Branch

Sd/-
Lourdes Premkumar Sinnappan
General Manager

Sd/-
Ashish Vaidya
Accounts Manager



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Schedules forming part of the financial statements

	As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)		As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)
Schedule 1 : Capital			Schedule 4 : Borrowings		
Head Office Account			I Borrowings in India		
Capital remitted by			i) Reserve Bank of India	–	–
Head Office	1,287,720	1,287,720	ii) Other Banks	–	–
Additions during the year	186,298	–	iii) Other Institutions and Agencies	–	–
Total	1,474,018	1,287,720	II Borrowings Outside India		
(Deposit kept with the Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949.)	2,000	2,000	i) From banks	–	–
			ii) From others	–	–
			Total (I + II)	–	–
			Secured borrowings included in I & II above.	–	–
Schedule 2 : Reserves and Surplus			Schedule 5 : Other Liabilities and Provisions		
1 Statutory Reserve			1 Bills payable	–	–
Opening balance	–	–	2 Inter office adjustments	–	–
Additions during the year	4,063	–	Branches in India (net)	–	–
Deductions during the year	–	–	3 Interest accrued	–	–
Closing balance	4,063	–	4 Others (including provisions)	94,987	85,297
2 Capital Reserve			Total	94,987	85,297
Opening balance	–	–			
Additions during the year	–	–	Schedule 6 : Cash and Balances with Reserve Bank of India		
Deductions during the year	–	–	I. Cash in Hand	–	–
Closing balance	–	–	II Balances with Reserve Bank of India		
3 Revenue and other reserves			i) In current account	8,842	8,842
Opening balance	–	–	ii) In other accounts	–	–
Additions during the year	–	–	Total (I + II)	8,842	8,842
Deductions during the year	–	–			
Closing balance	–	–	Schedule 7 : Balances With Banks & Money at Call & Short Notice		
Total (1 + 2 + 3)	4,063	–	I. In India		
			i) Balance with Banks		
Schedule 3 : Deposits			(a) In current accounts	26,501	22,509
A I Demand Deposits			(b) In other deposit accounts	1,444,500	1,242,000
i) From banks	–	–	ii) Money at Call and Short Notice	–	–
ii) From others	–	–	(a) With Bank	–	–
II Saving Bank Deposits	10	10	(b) With other institutions	–	–
III Term Deposits			Total	1,471,001	1,264,509
i) From banks	–	–			
ii) From others	–	–	II. Outside India		
Total (I + II + III)	10	10	i) In current accounts	294	–
			ii) In other deposit accounts	–	–
B i) Deposits of Branches In India	10	10	iii) Money at call and short notice	–	–
ii) Deposits of Branches Outside India.	–	–	Total	294	–
Total	10	10	Total (I + II)	1,471,295	1,264,509



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(Incorporated in Singapore with limited liability)

Schedules forming part of the financial statements

	As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)		As at 31 March 2012 (Rs 000s)	As at 31 March 2011 (Rs 000s)
Schedule 8 : Investments			Schedule 10 : Fixed Assets		
I Investments in India			I. Premises		
i) Government Securities	–	–	Opening	–	–
ii) Other Approved Securities	–	–	Additions during the year	–	–
iii) Shares	–	–	Deductions during the year	–	–
iv) Debentures and Bonds	–	–	Gross book value	–	–
v) Subsidiaries and/or joint ventures	–	–	Depreciation to date	–	–
vi) Others	–	–	Net book value	–	–
	–	–			
II Investments outside India in			II. Other Fixed Assets (including furniture and fixtures)		
i) Government securities (including local authorities)	–	–	Opening	15,197	13,798
ii) Subsidiaries and/or joint ventures abroad	–	–	Additions during the year	125	1,399
iii) Others	–	–	Deductions during the year	–	–
Total	–	–	Gross book value	15,322	15,197
			Depreciation to date	(7,309)	(4,593)
			Net book value	8,013	10,604
			III. Capital Work-in-progress (including Capital Advances)	3,342	–
			Total (I + II + III)	11,355	10,604
			Schedule 11 : Other Assets		
Schedule 9 : Advances			I Interest Accrued	6,886	11,350
A. i) Bills purchased and discounted	–	–	II Interbranch Adjustments (net)	–	–
ii) Cash credits, overdrafts and loans repayable on demand	–	–	III Advance Tax and Tax Deducted at Source	4,144	1,005
iii) Term loans	–	–	IV Stationery and stamps	–	–
Total	–	–	V Deferred Tax Asset (Net)	5,165	–
			VI Non-banking assets acquired in satisfaction of claims	–	–
B. i) Secured by tangible assets (including book debts)	–	–	VII Others (including debit balance in profit and loss account of Rs. 44,212 for current year Rs. 56,400 for previous year) (Rs. In '000)	65,391	76,717
ii) Covered by Bank/ Government guarantees	–	–	Total	81,586	89,072
iii) Unsecured	–	–			
Total	–	–			
			Schedule 12 : Contingent Liabilities & Capital Commitments		
C.I. Advances in India			I Claims against the bank not acknowledged as debts	–	–
i) Priority sector	–	–	II Liability for partly paid investments	–	–
ii) Public sector	–	–	III Liability on account of outstanding derivative and forward exchange contracts	–	–
iii) Banks	–	–	IV Guarantees given on behalf of constituents,		
iv) Others	–	–	(i) In India	–	–
Total	–	–	(ii) Outside India	25,746	1,036
			V Acceptances, endorsements and other obligations	–	–
C.II. Advances outside India			VI Other items for which the Bank is contingently liable	–	–
i) Due from Banks	–	–	Total	25,746	1,036
a) Bills purchased and discounted	–	–			
b) Syndicated loans	–	–			
c) Others	–	–			
ii) Due from others	–	–			
a) Bills purchased and discounted	–	–			
b) Syndicated loans	–	–			
c) Others	–	–			
	–	–			
	–	–			



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(Incorporated in Singapore with limited liability)

Schedules forming part of the financial statements

	Year Ended 31 March 2012 (Rs 000s)	Year Ended 31 March 2011 (Rs 000s)		Year Ended 31 March 2012 (Rs 000s)	Year Ended 31 March 2011 (Rs 000s)
Schedule 13 : Interest Earned			Schedule 16 : Operating Expenses		
I. Interest/discount on advances/bills	–	–	I Payments to and provisions for employees	30,972	24,665
II. Income on investments	–	–	II Rent, taxes and lighting	30,602	26,585
III. Interest on balances with Reserve Bank of India and other inter-bank funds	103,163	64,229	III Printing & Stationery	89	56
IV. Others	–	–	IV Advertisement and publicity	230	204
Total	103,163	64,229	V Depreciation on bank's property	2,717	2,651
Schedule 14 : Other Income			VI Directors fees, allowances and expenses	–	–
I Commission, exchange and brokerage	2,836	1	VII Auditor's fees and expenses	325	926
II Profit/(Loss) on Sale of Investments (net)	–	–	VIII Law charges	–	496
III Profit/(Loss) on revaluation of investments (net)	–	–	IX Postage, telegrams and telephone etc	111	66
IV Profit/(Loss) on Sale of Land, Buildings and Other Assets (net)	–	–	X Repairs and maintenance	1,345	437
V Profit/(Loss) on Exchange Transactions (net)	–	–	XI Insurance	149	198
VI Miscellaneous Income	–	–	XII Other expenditure (Refer note -5.1(x) of Schedule 18)	18,373	11,149
Total	2,836	1	Total	84,913	67,433
Schedule 15 : Interest Expended			Schedule 17: Provisions and Contingencies		
I. Interest on deposits	–	–	I Taxation charge		
II. Interest on Reserve Bank of India/inter-bank borrowings	–	–	i) Current tax expense	10,000	–
III. Others	–	–	ii) Deferred tax benefit	(5,165)	–
Total	–	–	II Provision for investments	–	–
			Total	4,835	–

Significant Accounting Policies forming part of the financial statements for the year ended 31 March 2012

SCHEDULE 18

1 Background

The financial statements for the year ended March 31, 2012 comprise of the accounts of the Mumbai branch ("Bank") of United Overseas Bank Ltd., which is incorporated and registered in Singapore.

The Bank commenced its banking business on December 29, 2009 and was included in the Second Schedule to the Reserve Bank of India Act, 1934 vide notification dated March 26, 2010 in the Gazette of India on April 24, 2010.

2. Basis of preparation

The accompanying financial statements are prepared and presented under the historical cost convention and accrual basis of accounting unless otherwise stated and in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India (RBI), notified Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

3. Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the Management to make estimates and assumptions that affects the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimated. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to accounting estimates are recognized prospectively in the current and future periods.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2012

4. Significant accounting policies

4.1 Transaction involving foreign exchange

- a) Transactions denominated in foreign currencies are recorded at the rates prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the period are recognized in the profit and loss account of the period.
- b) Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are restated at the closing rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant exchange differences are recognised in the Profit and Loss Account.
- c) Contingent liabilities on account of guarantees denominated in foreign currencies are disclosed at the closing exchange rate notified by FEDAI.

4.2 Investments

The Bank has not made any investment during the year. The classification and valuation of investment will be in accordance with RBI master circular DBOD No.BP.BC.19/21.04.141/2011-12 dated July 1, 2011.

Accounting and Classification

As per the guidelines for investments laid down by RBI, Investments are classified under "Held to Maturity", "Available for Sale" and "Held for Trading" categories.

Valuation

Investments classified under "Held to Maturity" are carried at acquisition cost unless it is more than the face value in which case, the premium is amortised over the period remaining to maturity.

Investments other than Treasury Bills classified under "Available for Sale" and "Held for Trading" are valued at lower of cost or market value, in aggregate for each balance sheet classification and net depreciation in aggregate for each balance sheet classification is recognised in the Profit and Loss Account.

Treasury Bills are valued at carrying cost.

Market value, in case of Government and other approved securities, for which quotes are not available, is determined on the basis of the 'yield to maturity' rates indicated by Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

Investments where interest/dividend is not serviced regularly are classified in accordance with prudential norms for classification, valuation and operation of Investment Portfolio by Banks prescribed by RBI.

Accounting for repos/reverse repo transactions

Repo/Reverse repo transactions (including under Liquidity Adjustment Facility) are accounted for as borrowing/lending transactions in accordance with RBI guidelines and correspondingly the expense and income thereon are treated as interest.

4.3 Advances and Provisions

The Bank does not have any advances as at balance sheet date. The classification, accounting and related policies will be funded in accordance with management's internal credit guidelines and relevant prudential norms prescribed by RBI.

General provision on standard advances and provision for country risk is made as per guidelines prescribed by RBI and included under 'Other Liabilities and Provisions'.

4.4 Fixed Assets and Depreciation

- a) Fixed Assets are stated at acquisition cost less accumulated depreciation less impairment provision. Cost comprises the purchase price and other attributable costs of bringing the assets to its working condition and for its intended use.
- b) Depreciation is provided on a straight line basis over the estimated useful life of the asset at rates higher than those prescribed under Schedule XIV of the Companies Act, 1956. The useful life estimated for different categories of fixed assets is as mentioned below:

Assets	Useful life of fixed assets
Office equipments	10 years
Leasehold improvements	Tenure of lease
Computers	3 years
Furniture & fittings	10 years

Assets individually costing Rs. 25,000/- and below are fully depreciated in the month they are put to commercial use.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2012

- c) The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

4.5 Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of asset's net selling price and value in use. The Bank has measured the value in use on the basis of undiscounted cash flow of next five years projections, estimated based on current prices. After impairment depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

4.6 Lease Transactions

Assets taken on lease are accounted in accordance with provisions of AS-19 "Leases". Lease payments for assets taken under non-cancelable operating lease are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

4.7 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.

- a) Interest income is recognised in profit and loss account on accrual basis.
b) Commission income on guarantees issued is amortized on straight-line basis over the period of the guarantee.
c) All other fees are accounted for as and when they become due.

4.8 Employee Benefits

The Bank is not liable to Provident Fund and Gratuity as the number of employees during the period was less than the minimum number of employees covered by the Provident Fund Act and Gratuity Act. Provision for Leave encashment including availment is accrued and provided for on the basis of unavailed accumulated leave of employees as at the date of Balance Sheet on a full liability basis in accordance with the rules of the Bank.

4.9 Taxes on Income

Tax expenses comprise current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of the current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier year.

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 recognised only if there is reasonable certainty supported by convincing evidence that they can be realized against future taxable profits. Deferred tax asset in respect of unabsorbed depreciation and carried forward losses are recognized only if there is a virtual certainty of realization of such assets.

At each balance sheet date the Bank re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

4.10 Provisions, Contingent Assets And Contingent Liabilities

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. 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. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources embodying economic benefit. 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4.11 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks/ institutions and money at call and short notice.

4.12 Other

Expenses incurred on stationery and stamps are charged off to the Profit and Loss account at the time of purchases.

4.13 Net Profit

The net profit disclosed in Profit and Loss account is after:

- a) Provision for current taxes and deferred taxes on income in accordance with statutory requirements.
b) Provision for contingencies and other necessary provisions.



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(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5. Notes to Accounts

5.1 Statutory disclosures

(a) Capital adequacy ratio

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed Indian branches of foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in a phased manner where banks are required to compute their capital requirement in terms of both Basel I and Basel II until March 31, 2011. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 100%, 90% and 80% of the capital requirement under Basel I.

The capital adequacy ratio of the Bank, calculated as per above RBI guidelines. (Basel II capital requirement being higher.)

(Rs '000)

Sr No	Items	March 31,2012	March 31,2011
1	CRAR (%) (As per Basel II)	306.12%	341.49%
2	CRAR Tier I Capital (%)	306.12%	341.49%
3	CRAR Tier II Capital (%)	–	–
4	Percentage of the shareholding of the Government of India in nationalized banks	N.A.	N.A.
5	Amount of subordinate debt raised as Tier-II capital	Nil	Nil
6	Amount raised by issue of IPDI	Nil	Nil
7	Amount raised by issue of upper Tier II instruments	Nil	Nil

(b) Investments

The Bank did not hold any investments during the current as well as previous year. Accordingly, disclosures in respect of investments are as under:

(Rs '000)

	As at March 31,2012	As at March 31,2011
(1) Value of investments		
(i) Gross value of investments		
(a) In India	–	–
(b) Outside India	–	–
(ii) Provision for depreciation		
(a) In India	–	–
(b) Outside India	–	–
(iii) Net value of investments		
(a) In India	–	–
(b) Outside India	–	–
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	–	–
(ii) Add : Provision made during the period	–	–
(iii) Less : Write-off/write-back of excess provisions during the year	–	–
(iv) Closing balance	–	–



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Notes forming part of the financial statements for the year ended March 31, 2012

5. Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(c) Repo Transactions (in face value terms)

(Rs '000)

	Minimum Outstanding during the year 2011-12	Maximum Outstanding during the year 2011-12	Daily Average Outstanding during the year 2011-12	Outstanding as at March 31, 2012
Securities sold under repos				
i. Government securities	–	–	–	–
ii. Corporate Debt	–	–	–	–
Securities purchased under Reverse repos.				
i. Government securities	–	–	–	–
ii. Corporate Debt	–	–	–	–

(Rs '000)

	Minimum Outstanding during the year 2010-11	Maximum Outstanding during the year 2010-11	Daily Average Outstanding during the year 2010-11	Outstanding as at March 31, 2011
Securities sold under repos				
i. Government securities	–	–	–	–
ii. Corporate Debt	–	–	–	–
Securities purchased under Reverse repos				
i. Government securities	–	–	–	–
ii. Corporate Debt	–	–	–	–

(d) Issuer composition of Non-SLR investments:

The Bank did not have any investments under this category as at March 31, 2012 (2011: Nil).

(e) Non-performing Non-SLR investments:

The Bank did not have any investments under this category as at March 31, 2012 (2011: Nil).

(f) Sale and transfers to/from HTM category

The Bank did not hold any investments during the year ended March 31, 2012 (2011: Nil)

(g) Disclosure on interest rate swaps and forward rate agreements ('FRA')

The Bank has not done any transaction of interest rate swaps or forward rate agreements (2011: Nil).

(h) Exchange traded interest rate derivatives

No transactions were undertaken during the year in exchange traded interest rate derivatives (2011: Nil). There is no notional principal amount outstanding in respect of exchange traded interest rate derivatives (2011: Nil).

(i) Risk exposure in derivatives

During the current year, the Bank has not dealt in any derivatives trades / instruments (including forward exchange contracts). In respect of managing and monitoring the risks arising from derivative transactions in future, the Bank has suitable policies, procedures and limits prescribed by its Group Head Office which are amended to comply with local regulations where required. Derivative transactions are subject to market risk, credit risk and operational risk and the measurement and monitoring framework include sophisticated tools such as VaR.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5. Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(j) Non-Performing Advances (NPA)

The Bank did not have any non performing advances during the Financial Year 2011-12 (2010-11: Nil).

Particulars	March 31,2012	March 31,2011
(i) Net NPAs to Net Advances (%)	NIL	NIL
(ii) Movement of NPAs (Gross)		
(a) Opening balance	–	–
(b) Additions during the year	–	–
(c) Reductions during the year	–	–
(d) Closing balance	NIL	NIL
(iii) Movement of Net NPAs		
(a) Opening balance	–	–
(b) Additions during the year	–	–
(c) Reductions during the year	–	–
(d) Closing balance	NIL	NIL
(iv) Movement of Provision for NPAs (excluding provisions on standard assets)		
(a) Opening balance	–	–
(b) Provisions made during the year	–	–
(c) Write – off /write –back of excess provisions	–	–
(d) Closing balance	NIL	NIL

(k) Details of loan assets subjected to restructuring

There were no instances of restructuring of loan assets during the year (2011: Nil).

(l) Details of financial assets sold to securitization/reconstruction company for Asset Reconstruction

There were no instances of sale of financial assets to securitization/reconstruction company for asset reconstruction during the year (2011: Nil).

(m) Details of non performing financial assets purchased/sold

There has been no purchase /sale of NPAs during the year (2011: Nil).

(n) Provision on standard assets as at March 31,2012

There was no provision on standard assets as at March 31, 2012 (2011: Nil).

(o) Business ratios/ information

	For the year ended March 31,2012	For the year ended March 31,2011
Interest income as percentage to working funds	7.66%	4.90%
Non - interest income as percentage to working funds	0.21%	0.00%
Operating profits as percentage to working funds	1.56%	(0.24%)
Return on assets	1.21%	(0.24%)
Business (deposits plus advances) per employee (Rs '000)	1.11	2
Net profit/(Loss) per employee (Rs '000)	1,806	(641)

Notes:-

- Working funds is taken as average of total assets (excluding accumulated losses, if any) as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.
- Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).
- For computation of ratios in (vi) above, number of employees as at the period end have been considered.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5 Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(p) Maturity pattern

Management has made certain estimates and assumptions in respect of behavioral maturities of non-term assets and liabilities and trading securities while compiling their maturity profile which is consistent with the Bank's reporting to the RBI which has been relied upon by the auditors.

(Rs '000)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	31, March 2012 Total
Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Deposits	10	-	-	-	-	-	-	-	-	-	10
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	294	-	-	-	3,281	-	-	-	-	-	3,575
Foreign Currency Liabilities	271	-	-	-	-	-	-	-	-	16,069	16,340

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	31, March 2011 Total
Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Deposits	10	-	-	-	-	-	-	-	-	-	10
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	29	-	-	-	-	-	-	-	-	-	29
Foreign Currency Liabilities	4,398	-	-	-	-	-	-	-	-	12,065	16,463

(q) Lending to sensitive sectors

Exposure to real estate

The Bank has no direct or indirect exposure to this sector as at March 31, 2012 (2011: Nil).

Exposure to capital market

The Bank has no exposure to the capital market as at March 31, 2012 (2011: Nil)

(r) Risk category wise country exposure

No provision is made by the Bank for country risk exposure since the Bank's country wise net funded exposure does not exceed 1% of the total assets as on March 31, 2012 (2011: Nil). Details of exposure as per risk category classification is as under

	As at March 31, 2012		As at March 31, 2011	
	Gross Exposure	Provision	Gross Exposure	Provision
Insignificant	294	-	-	-
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 2012

5 Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(s) **Securitization exposures**

The Bank did not have any securitization exposures during the year (2011: Nil).

(t) **Disclosure on Single Borrower Limits ('SBL') / Group Borrower Limits ('GBL')**

There were no instances of exposure in excess of the prudential exposure limits during the current year as the bank did not have any advances during the current year.

(u) **Unsecured Advances**

The Bank does not have any advances secured by intangible assets (2011: Nil).

(v) **Subordinated debt**

The Bank did not have any subordinated debt raised during the year ended March 31,2012 (2011: Nil).

(w) **Penalties imposed by RBI**

No penalties were imposed on the Bank by RBI pursuant to provision of section 46 (4) of the Banking Regulation Act, 1949 (2011: Nil).

(x) **Other expenditure**

Details of expenses included in "Other Expenditure" in Schedule 16 exceeding 1% of the total income are provided below:

(Rs '000)

	For the year ended March 31,2012	For the year ended March 31,2011
Auditor's fees	–	1,200
Travel	–	846
Data Line Charges	8,251	2,826
Motor Rental	–	1,437
Loss on exchange fluctuation	2,127	1,857
Professional fees	2,879	2,184
Miscellaneous Expenses	1,320	214

(y) **Micro, Small and Medium Enterprises**

Based on the current information/confirmations available with the Bank, no amounts have fallen due for payment to suppliers who are registered under the Micro, Small and Medium Enterprises Development Act 2006 as at March 31, 2012.

5.2 Disclosure Requirement as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts':

(a) **Related parties disclosure**

Related party disclosure as required by Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India are given below:-

1) Relationship during the year:

a) Parent:

United Overseas Bank Limited, Singapore – Head Office

b) Other related parties in United Overseas Bank Group where common control exists:

United Overseas Bank (Malaysia) Limited

c) Key management personnel:

Lourdes Premkumar Sinnappan- General Manager

2) Transactions with related parties in the ordinary course of business.

In accordance with the RBI Circular DBOD No BP.BC.89/21.04.018/2002-03 dated March 2003, this disclosure excludes transactions where there is only one related party (i.e. key management personnel and Parent including of its branches) and where the Bank has an obligation under law to maintain confidentiality in respect of their customer transactions.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5 Notes to Accounts (continued)

(b) Employee Benefits

The provisions of Provident Fund and Gratuity are not applicable to the Bank and nor does the Bank have a policy of making such payment. Accordingly, no benefit is provided in accounts towards the same. In respect of encashment of privilege leave, the Bank has made a provision on actual basis during the year amounting to Rs. 160 ('000) of which the provision at end of year is Rs. 1,085 ('000) (2011: Rs.925 ('000)) based on policy adopted by the Bank in these respects.

(c) Segment Reporting

(Rs '000)

Business Segments	Other Banking Business		Corporate Banking		Total	
	31.3.12	31.3.11	31.3.12	31.3.11	31.3.12	31.3.11
Result	103,163	64,229	1,438	1	104,601	64,230
Unallocated Expense					83,515	67,433
Operating profit/(loss)					21,086	(3,203)
Provisions & contingencies			-	-	-	-
Income Tax			-	-	4,835	-
Extraordinary profit/loss					-	-
Net profit/loss					16,251	(3,203)
<u>Other Information:</u>						
Segment assets	1,480,137	1,273,351	-	-	1,480,137	1,273,351
Unallocated assets	-	-	-	-	48,729	43,276
Total assets					1,528,866	1,316,627
Segment liabilities	10	10	-	-	10	10
Unallocated liabilities	-	-	-	-	1,528,856	1,316,617
Total liabilities					1,528,866	1,316,627

(d) Deferred taxes

In accordance with Accounting Standard 22 on "Accounting for taxes on income", the Bank has recognized Deferred Tax Asset (DTA) on timing differences to the extent there is reasonable/virtual that sufficient future taxable income will be available against which such deferred tax assets can be realised. Items of which deferred tax has been created are as follows

(Rs '000)

	As at March 31,2012	As at March 31,2011
<u>Deferred Tax Assets</u>		
Fixed Assets	773	-
Employee Benefits	724	-
Other items allowed on payment basis	3,668	-
Total	5,165	-
<u>Deferred Tax Liability</u>	-	-
Net Deferred tax asset	5,165	-

(e) Operating Leases

The Bank has entered into non-cancelable operating leases for premises, equipment and motor car used primarily for business purposes.

Total operating lease rental of Rs. 24,873 ('000) (2011: Rs 21,628('000)) has been included under Operating expenses- Rent, taxes and lighting in the profit and loss account.

Total future minimum lease payments under non-cancelable leases at the year end are as follows:

(Rs '000)

	For the year ended March 31,2012	For the year ended March 31,2011
Not later than one year	24,873	23,521
Later than one year but not later than five years	10,363	35,236
Later than five years	-	-

The bank has not sub-leased any of the above assets and the bank has not entered into any leases falling under the category of finance lease.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5 Notes to Accounts (continued)

(f) *Contingent Liabilities*

As a part of its normal Banking activity, the Bank issues guarantee on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations. The Bank has issued guarantees of Rs 25,746 ('000) (2011: Rs 1,036('000)). Other than that, there are no contingent liabilities or contingent assets as of the accounting period end.

5.3 Additional Disclosures:

(a) *Provisions and Contingencies*

(Rs '000)

	For the year ended March 31,2012	For the year ended March 31,2011
Provisions for depreciation on Investment	–	–
Provision towards NPA	–	–
Provision towards standard asset	–	–
Provision made towards country risk	–	–
Provision made towards Income tax	10,000	–
Deferred Tax adjustment	(5,165)	–
Other Provision and Contingencies	–	–
Total	4,835	–

(b) *Floating Provision*

The Bank does not hold floating provisions as at March 31,2012 (2011: Nil).

(c) *Drawdown from Reserves*

The Bank has made no drawdown from the reserves during the year (2011: Nil).

5.4 Customer complaints

(a) *Customer Complaints*

	For the year ended March 31,2012	For the year ended March 31,2011
No. of complaints pending at the beginning of the period	–	–
No. of complaints received during the period	–	–
No. of complaints redressed during the period	–	–
No. of complaints pending at the end of the period	–	–

(b) *Awards Passed By Banking Ombudsman*

	For the year ended March 31,2012	For the year ended March 31,2011
No. of unimplemented awards at the beginning of the period	–	–
No. of awards passed by the Banking Ombudsman during the period	–	–
No. of awards implemented during the period	–	–
No. of unimplemented awards at the end of the period	–	–

5.5 *Letter of comfort*

The Bank has not issued any letter of comfort during the year ended March 31,2012 (2011: Nil).

5.6 *Provision coverage ratio*

The provision coverage ratio as computed in accordance with RBI circular no DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated 01 December 2009 is not applicable as the bank did not have any advances during the year ended as at March 31,2012 (2011: Nil).

5.7 *Bancassurance income*

During the year, the Bank did not earn any income towards Bancassurance business (2011: Nil).



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5 Notes to Accounts (continued)

5.8 Concentration of Deposits, Advances, Exposures and NPAs

(a) Concentration of Deposits

(Rs '000)

	March 31,2012	March 31,2011
Total Deposits of twenty largest depositors	10	10
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	100%	100%

(b) Concentration of Advances

(Rs '000)

	March 31,2012	March 31,2011
Total Advances of twenty largest borrowers	–	–
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	–	–

(c) Concentration of Exposures

(Rs '000)

	March 31,2012	March 31,2011
Total Exposure of twenty largest borrowers/ customers	25,746	1,036
Percentage of Exposures of twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	100%	100%

(d) Concentration of NPAs

(Rs '000)

	March 31,2012	March 31,2011
Total Exposure to top four NPA accounts	Nil	Nil

5.9 Sector-wise NPAs

(Rs '000)

Sector	Percentage of NPAs to Total Advances in that sector at March 31,2012	Percentage of NPAs to Total Advances in that sector at March 31,2011
Agriculture & allied activities	–	–
Industry (Micro & small, Medium and Large)	–	–
Services	–	–
Personal Loans	–	–

Note: Classification into sectors as above has been done based on the bank's internal norms.



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 31, 2012

5 Notes to Accounts (continued)

5.10 Movement of NPAs

Particulars	March 31,2012	March 31,2011
Gross NPAs as on 1st April of particular year (Opening Balance)	Nil	Nil
Addition (Fresh NPAs) during the year	Nil	Nil
Sub-total (A)	Nil	Nil
Less : (i) Upgradations	Nil	Nil
(ii) Recoveries (excluding recoveries from upgraded accounts)	Nil	Nil
(iii) Write-offs	Nil	Nil
Sub-total (B)	Nil	Nil
Gross NPAs as on 31st March of following year (Closing Balance) (A-B)	Nil	Nil

5.11 Overseas Assets, NPAs and Revenue

Particulars	(Rs. in '000)
Total Assets	3,575
Total NPAs	Nil
Total Revenue	2,818

5.12 Off Balance Sheet SPV's

The bank has not sponsored any off-balance sheet SPVs (2011: Nil).

5.13 Unamortized Pension and Gratuity Liabilities

The provisions of Gratuity are not applicable to bank and the Bank does not have any pension liability as at March 31, 2012 (2011: Nil)

5.14 Prior period comparatives

Previous year's figures have been regrouped where necessary to conform to current year's classification.

The Schedules referred to above and the attached notes form an integral part of these statements.

As per our report of even date

For A. P. Sanzgiri & Co.

For United Overseas Bank Limited – Mumbai Branch

Chartered Accountants

Firm Registration number: 116293W

Sd/-

Satish Kumar Gupta

Partner

Membership No. 101134

Sd/-

Lourdes Premkumar Sinnappan

General Manager

Sd/-

Ashish Vaidya

Accounts Manager

Date: June 20, 2012

Place: Mumbai



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

BASEL II PILLAR 3 DISCLOSURE

Background

The disclosure and analysis provided herein below are in respect of the Mumbai Branch (“the Bank”) of United Overseas Bank Ltd (“UOB”) which is incorporated in Singapore. The parent, UOB provides a wide range of financial services through its global network of branches, offices, subsidiaries and associates; personal financial services, private banking commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stock broking services. UOB is rated among the world’s top banks by Moody’s Investors Service, receiving B for financial strength and Aa1 and Prime-1 for long term and short term bank deposits respectively.

As the Bank was recently established, the Risk Management and Control Framework is being in the process of fully implemented. For a comprehensive disclosure and details, kindly refer to the Pillar 3 disclosure of UOB Group in its annual report section available on the Group’s website www.uobgroup.com.

The Mumbai branch does not have any subsidiaries in India and is accordingly not required to prepare a consolidated return under the generally accepted accounting principles (GAAP) or under the capital adequacy framework.

Capital structure

The capital structure of the Bank comprises of interest free funds provided by its Head Office in the form of Tier 1 capital

(Rs. '000)

Particulars	As at 31 March 2012
Tier 1 Capital	
Capital (Funds from Head Office)	1,474,018
Reserves and Surplus	4,063
Debit Balance in Profit and Loss Account	(44,212)
Deferred Tax Asset	(5,165)
Total Tier 1 Capital	1,428,704
Tier 2 Capital	-
Other Deductions	-
Total Eligible Capital	1,428,704

Capital Adequacy

The CRAR of the Bank is 306.12% as computed under Basel II norms. The CRAR is above the minimum regulatory capital requirements. The Bank will ensure it maintains adequate capital to support the underlying risks of its business and comply with all regulatory requirements.

The Bank’s capital management involves a continuous capital assessment process which encompasses the assesment of capital and business risks across business segments and products and the integration of such assessment with the budgeting process and maintaining adequate capital to support its business growth.

The Bank’s capital requirements and capital ratios as of 31 March 2012 are as follows:-

(Rs. '000)

Composition of Capital	As at 31 March 2012
Capital requirement for credit risk (Subject to standardize approach)	30,786
Capital requirement for market risk (Subject to standardized duration approach)	2,025
– Interest rate risk	-
– Foreign exchange risk	2,025
– Equity risk	-
Capital requirement for operational risk (Subject to basic indicator approach)	9,193
Capital Adequacy Ratio of the Bank	306.12%
Tier 1 Capital Ratio	306.12%



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Risk Management

The Group Board has approved a risk management framework for all its entities within the Group, including its Mumbai branch. UOB Mumbai also has the local Risk Management Committee (RMC) which has been formed and operational from January 20, 2012.

The assumption of financial and non-financial risks is an integral part of the Group's business. The Group's risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within levels established by the management committees and approved by the Board and its committees.

The Group applies the following risk management principles:-

- promotion of sustainable long-term growth through embracing sound risk management principles and business practices;
- continual improvement of risk discovery capabilities and establishment of appropriate value-creating risk controls; and
- focus on facilitating business development within a prudent, consistent and efficient risk management framework that balances risks and returns.

The Group has a comprehensive framework of policies and procedures for the identification, measurement, monitoring and control of risks. This framework is governed by the appropriate Board and senior management committees.

Credit Risk

As the Bank was recently established in India, the Bank relies on the Groups credit policies and processes and adhering to the directives and guidelines issued by RBI to manage credit risk in the following key areas:-

Credit Approval Process

To maintain independence and integrity of the credit approval process, the credit approval function is segregated from the credit origination. Credit approval authority is delegated through a risk-based credit discretionary limits ("CDL") structure that is tiered according to the borrower's rating. Delegation of CDL follows a stringent process that takes into consideration the experience, seniority and track record of the officer. All credit approving officers are guided by product programmes. These credit policies, guidelines and product programmes are periodically reviewed to ensure their continued relevance.

Credit Risk Concentration

A risk-sensitive process is in place to regularly review, manage and report credit concentrations and portfolio quality. This includes monitoring concentration limits and exposures by obligors, portfolios, borrowers, industries and countries. Limits are generally set as a percentage of the Group's capital funds.

Obligor limits ensure that there is no undue concentration to a group of related borrowers that may potentially pose a single risk to the Group.

Portfolio and borrowers limits ensure that lending to borrowers with weaker credit ratings is confined to acceptable levels. These limits are generally tiered according to the borrower's internal ratings.

Industry limits ensure that any adverse effect arising from an industry-specific risk event is confined to acceptable levels.

Quantitative disclosures

Particulars	(Rs. '000) As at 31 March 2012
Fund based	1,471,295
Non fund based	25,746

Residual maturity of assets	(Rs. '000) Inter-Bank Assets
Day 1	26,795
2-7 Days	—
8-14 Days	—
15-28 Days	1,187,500
29 Days upto 3 Months	257,000
Over 3 Months upto 6 Months	—
Over 6 Months upto 1 Year	—
Over 1 Year upto 3 Years	—
Over 3 Years upto 5 Years	—
Over 5 Years	—
Total	1,471,295



UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Details of NPAs

(Rs. '000)

	As at 31 March 2012
(i) Amount of NPAs (Gross)	–
(ii) Net NPAs	–
(iii) NPA Ratios	–
(iv) Movement of NPAs (Gross)	–
(v) Movement of provision of NPAs	–
(vi) Amount of non performing investments	–
(vii) Amount of provisions held for non performing investments	–
(viii) Movement of provisions for depreciation on investments	–

Market Risk

The Group's market risk framework comprises market risks policies and practices, the validation of valuation and risk models, the control structure with appropriate delegation of authority and market risk limits. In addition, robust risk architecture as well as a new Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to launch. Management of derivative risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

Overall market risk appetite is balance at the Group and Bank with the targeted revenue, and takes into account the capital position of the Group and Bank to ensure that it remains well-capitalised under stress circumstances. The appetite is translated to risk limits that are delegated to business units. These risk limits have a proportional returns that are commensurate with the risks taken.

Operational Risk

As the Bank was recently established in India, the Bank relies on the Group's framework of policies, processes and procedures, by which business units identify, assess, monitor and control/mitigate their operational risks.

Operational Risk Self Assessments involve identifying and assessing inherent risks, as well as assessing the effectiveness of controls to mitigate the identified risks. Action plans to address issues are documented and monitored via Operational Risk Action Plans.

Key Operational Risk Indicators are statistical data collected and monitored by business and support units on an on-going basis to facilitate early detection of potential operational control weaknesses. Trend analysis is carried out to identify systemic issues that need to be addressed.

A database of operational risk events and losses has been established to facilitate the use of advanced approaches for quantification of operational risks. The analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

A Group Insurance Program is in place to effectively mitigate the risk of high impact operational losses.

With the increasing need to outsource for cost and operational efficiency, the Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering into any new arrangements and on an on-going basis. The Branch has also formulated its local outsourcing policy.

Effective business continuity and crisis management strategies and plans have been developed and tested to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions.