UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

INDEPENDENT AUDITOR'S REPORT

To
The General Manager
United Overseas Bank – Mumbai Branch

Report on the Financial Statements

1. We have audited the accompanying financial statements of the **United Overseas Bank – Mumbai Branch (hereinafter referred to as 'Bank')**, which comprise the Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Section 29 and Form A & Form B of the Third Schedule to the Banking Regulation Act, 1949. 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. 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 and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies give a true and fair view in conformity with the accounting Principles generally accepted in India:

   (i) In the case of the Balance Sheet, of the state of affairs of the Mumbai Branch of the Bank as at 31st March, 2013;

   (ii) In the case of the Profit and Loss Account of the profits of the Mumbai Branch of the Bank for the year ended on that date; and

   (iii) In the case of the Cash Flow Statement, of cash flows of the Mumbai Branch of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

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8. 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 our audit and have found them to be satisfactory.

   b) The transactions of the Mumbai Branch of Bank, which have come to our notice, have been within the powers of the Bank.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.

10. We further report that:

   (i) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

   (ii) In our opinion, proper books of account as required by law have been kept by the Mumbai Branch of Bank so far as appears from our examination of those books.

   (iii) As per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956,

For and on behalf of
A. P. Sanzgiri & Co.
Chartered Accountants
Firm Reg. No.: 116293W

Sd/-
Satish Kumar Gupta
Partner
M. No. 101134

Place: Mumbai
Date: June 19, 2013

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UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

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Balance Sheet as at 31 March 2013

	Schedule	As at 31 March 2013 (Rs 000s)	As at 31 March 2012 (Rs 000s)
CAPITAL AND LIABILITIES			
Capital	1	1,549,509	1,474,018
Reserves and Surplus	2	9,066	4,063
Deposits	3	61,707	10
Borrowings	4	360,083	–
Other Liabilities and Provisions	5	92,138	94,987
Total		**2,072,503**	**1,573,078**
ASSETS			
Cash and balances with Reserve Bank of India	6	21,342	8,842
Balances with Banks and Money at Call and Short Notice	7	1,414,740	1,471,295
Investments	8	147,998	–
Advances	9	357,843	–
Fixed Assets	10	16,137	11,355
Other Assets	11	114,443	81,586
Total		**2,072,503**	**1,573,078**
Contingent Liabilities	12	30,303	25,746
Bills for collection		–	–
Significant Accounting Policies	18		
Notes to the accounts	19		

Profit and Loss Account for the year ended 31 March 2013

	Schedule	Year Ended 31 March 2013 (Rs 000s)	Year Ended 31 March 2012 (Rs 000s)
I. INCOME			
Interest earned	13	138,706	103,163
Other income	14	7,217	2,836
Total		**145,923**	**105,999**
II. EXPENDITURE			
Interest expended	15	591	–
Operating expenses	16	118,318	84,913
Provisions and Contingencies	17	7,001	4,835
Total		**125,910**	**89,748**
III. PROFIT/ (LOSS)			
Net Profit/(Loss) for the period (After Tax)		20,013	16,251
Profit/(Loss) brought forward		(44,212)	(56,400)
Total		**(24,199)**	**(40,149)**
IV. APPROPRIATIONS			
Transfers to / (from)			
Statutory Reserve		5,003	4,063
Balance carried over to Balance Sheet		(29,202)	(44,212)
Total		**(24,199)**	**(40,149)**
Significant Accounting Policies	18		
Notes to the Financial Accounts	19		

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

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

For United Overseas Bank Limited – Mumbai Branch

Sd/-
P V Ananthakrishnan
General Manager

Sd/-
Girish Khushalani
Vice President – Finance

Place: Mumbai
Date: June 19, 2013

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Cash Flow Statement for the year ended March 31, 2013

	Year ended 31 March 2013 *(Rs.000)*	Year ended 31 March 2012 *(Rs.000)*
Cash flow from operating activities		
Profit for the year before tax	25,450	21,086
Adjustments for:		
Depreciation charge for the year	3,240	2,717
Provision for Standard Advances/Country Risk	1,564	–
	30,254	23,803
Increase/(Decrease) in Deposits	61,697	–
Increase/(Decrease) in Borrowings	360,083	–
Increase/(Decrease) in Other liabilities and provisions	(4,413)	4,855
(Increase)/Decrease in Investments	(147,998)	–
(Increase)/Decrease in Advances	(357,843)	–
(Increase)/Decrease in Other Assets	(47,004)	8,436
Income Tax (paid)/Refund received	(6,300)	(13,139)
Net cash flow from operating activities	**(111,524)**	**23,955**
Cash flow from investing activities		
Purchase of fixed assets	(8,022)	(3,467)
Net cash used in investing activities	**(8,022)**	**(3,467)**
Cash flow from financing activities		
Infusion of capital from Head Office	75,491	186,298
Net cash generated from financing activities	**75,491**	**186,298**
Net (decrease)/increase in cash and cash equivalents	**(44,055)**	**206,786**
Cash and cash equivalents* as at beginning of the year	**1,480,137**	**1,273,351**
Cash and cash equivalents* as at end of the year	**1,436,082**	**1,480,137**

* (Note: Cash and Cash Equivalents represents Cash and Balance with Reserve Bank of India and Balances with Banks and Money at Call and Short notice

As per our report of even date

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

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

For United Overseas Bank Limited – Mumbai Branch

Sd/-
P V Ananthakrishnan
General Manager

Sd/-
Girish Khushalani
Vice President – Finance

Place: Mumbai
Date: June 19, 2013

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Schedules forming part of the financial statements

	As at 31 March 2013 *(Rs 000s)*	As at 31 March 2012 *(Rs 000s)*
Schedule 1 : Capital		
Head Office Account		
Capital remitted by Head Office	1,474,018	1,287,720
Additions during the year	75,491	186,298
Total	**1,549,509**	**1,474,018**
(Deposit kept in the form of cash and securities with the Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act , 1949.)	7,000	2,000
Schedule 2 : Reserves and Surplus		
1 **Statutory Reserve**		
Opening balance	4,063	–
Additions during the year	5,003	4,063
Deductions during the year	–	–
Closing balance	**9,066**	**4,063**
2 **Capital Reserve**		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year		
Closing balance	–	–
3 **Revenue and other reserves**		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Closing balance	–	–
Total (1 + 2 + 3)	**9,066**	**4,063**
Schedule 3 : Deposits		
A I Demand Deposits		
i) From banks	–	–
ii) From others	11,707	–
II Saving Bank Deposits	–	10
III Term Deposits		
i) From banks	–	–
ii) From others	50,000	–
Total (I + II + III)	**61,707**	**10**
B i) Deposits of Branches In India	61,707	10
ii) Deposits of Branches Outside India	–	–
Total	**61,707**	**10**

	As at 31 March 2013 *(Rs 000s)*	As at 31 March 2012 *(Rs 000s)*
Schedule 4 : Borrowings		
I Borrowings in India		
i) Reserve Bank of India	–	–
ii) Other Banks	150,000	–
iii) Other Institutions and Agencies	–	–
II Borrowings Outside India		
i) From banks	210,083	–
ii) From others	–	–
Total (I + II)	**360,083**	**–**
Secured borrowings included in I & II above.	–	–
Schedule 5 : Other Liabilities and Provisions		
1 Bills payable	–	–
2 Inter office adjustments Branches in India (net)	–	–
3 Interest accrued	482	–
4 Others (including provisions)	91,656	94,987
Total	**92,138**	**94,987**
Schedule 6 : Cash and Balances with Reserve Bank of India		
I. Cash in Hand	–	–
II Balances with Reserve Bank of India		
i) In current account	21,342	8,842
ii) In other accounts	–	–
Total (I + II)	**21,342**	**8,842**
Schedule 7 : Balances with Banks and Money at Call & Short Notice		
I. In India		
i) Balance with Banks		
(a) In current accounts	2,713	26,501
(b) In other deposit accounts	1,370,395	1,444,500
ii) Money at Call and Short Notice		
(a) With Bank	40,000	–
(b) With other institutions	–	–
Total	**1,413,108**	**1,471,001**
II. Outside India		
i) In current accounts	1,632	294
ii) In other deposit accounts	–	–
iii) Money at call and short notice	–	–
Total	**1,632**	**294**
Total (I + II)	**1,414,740**	**1,471,295**

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Schedules forming part of the financial statements

	As at 31 March 2013 (Rs 000s)	As at 31 March 2012 (Rs 000s)
Schedule 8 : Investments		
I Investments in India		
i) Government Securities (T-Bill)	147,848	–
ii) Other Approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others	150	–
II Investments outside India		
i) Government securities (including local authorities)	–	–
ii) Subsidiaries and/or joint ventures abroad	–	–
iii) Others	–	–
Total	**147,998**	**–**
Schedule 9 : Advances		
A. i) Bills purchased and discounted	210,043	–
ii) Cash credits, overdrafts and loans repayable on demand	–	–
iii) Term loans	147,800	–
Total	**357,843**	**–**
B. i) Secured by tangible assets (including book debts)	50,000	–
ii) Covered by Bank/ Government guarantees	307,843	–
iii) Unsecured	–	–
Total	**357,843**	**–**
C.I. Advances in India		
i) Priority sector	210,043	–
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	147,800	–
Total	**357,843**	**–**
C.II. Advances outside India		
i) Due from Banks	–	–
a) Bills purchased and discounted	–	–
b) Syndicated loans	–	–
c) Others	–	–
ii) Due from others		
a) Bills purchased and discounted	–	–
b) Syndicated loans	–	–
c) Others	–	–

	As at 31 March 2013 (Rs 000s)	As at 31 March 2012 (Rs 000s)
Schedule 10 : Fixed Assets		
I. Premises		
Opening	–	–
Additions during the year	–	–
Deductions during the year	–	–
Gross book value	–	–
Depreciation to date	–	–
Net book value	**–**	**–**
II. Other Fixed Assets (including furniture and fixtures)		
Opening	15,322	15,197
Additions during the year	11,364	125
Deductions during the year	–	–
Gross book value	26,686	15,322
Depreciation to date	(10,459)	(7,309)
Net book value	**16,137**	**8,013**
III. Capital Work-in-progress (including Capital Advances)	–	3,342
Total (I + II + III)	**16,137**	**11,355**
Schedule 11 : Other Assets		
I. Interest Accrued	51,220	6,886
II. Interbranch Adjustments (net)	–	–
III. Advance Tax and Tax Deducted at Source (Net)	4,669	4,144
IV. Stationery and stamps	–	–
V. Deferred Tax Asset (Net)	5,504	5,165
VI. Non-banking assets acquired in satisfaction of claims	–	–
VII. Others (including debit balance in profit and loss account of Rs. 29,202 for current year Rs. 44,212 for previous year) (Rs. In '000)	53,050	65,391
Total	**114,443**	**81,586**
Schedule 12 : Contingent Liabilities & Capital Commitments		
I. Claims against the bank not acknowledged as debts	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding derivative and forward exchange contracts	–	–
IV. Guarantees given on behalf of constituents,		
(i) In India	–	–
(ii) Outside India	30,303	25,746
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable	–	–
Total	**30,303**	**25,746**

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Schedules forming part of the financial statements

	Year Ended 31 March 2013 *(Rs 000s)*	Year Ended 31 March 2012 *(Rs 000s)*
Schedule 13 : Interest Earned		
I. Interest/discount on advances/bills	7,054	–
II. Income on investments	4,459	–
III. Interest on balances with Reserve Bank of India and other inter-bank funds	127,193	103,163
IV. Others	–	–
Total	**138,706**	**103,163**
Schedule 14 : Other Income		
I. Commission, exchange and brokerage	7,865	2,836
II. Profit/(Loss) on Sale of Investments (net)	–	–
III. Profit/(Loss) on revaluation of investments (net)	–	–
IV. Profit/(Loss) on Sale of Land, Buildings and Other Assets (net)	–	–
V. Profit/(Loss) on Exchange Transactions (net)	(1,191)	–
VI. Miscellaneous Income	543	–
Total	**7,217**	**2,836**
Schedule 15 : Interest Expended		
I. Interest on deposits	210	–
II. Interest on Reserve Bank of India/inter-bank borrowings	381	–
III. Others	–	–
Total	**591**	**–**

	Year Ended 31 March 2013 *(Rs 000s)*	Year Ended 31 March 2012 *(Rs 000s)*
Schedule 16 : Operating Expenses		
I. Payments to and provisions for employees	57,980	30,972
II. Rent, taxes and lighting	29,790	30,602
III. Printing & Stationery	157	89
IV. Advertisement and publicity	255	230
V. Depreciation on bank's property	3,240	2,717
VI. Directors fees, allowances and expenses	–	–
VII. Auditor's fees and expenses	446	325
VIII. Law charges	314	–
IX. Postage, telegrams and telephone etc	226	111
X. Repairs and maintenance	4,559	1,345
XI. Insurance	208	149
XII. Other expenditure (Refer note -5.1(x) of Schedule 19)	21,143	18,373
Total	**118,318**	**84,913**
Schedule 17: Provisions and Contingencies		
I. Taxation charge		
i) Current tax expense	5,776	10,000
ii) Deferred tax benefit	(339)	(5,165)
II. Provision for investments	–	–
III. Provision for Standard Assets	1,432	–
IV. Provision for Country Risk	132	–
Total	**7,001**	**4,835**

Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2013

SCHEDULE 18

1. Background

The financial statements for the year ended March 31, 2013 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.

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Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2013

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 classification and valuation of investments is in accordance with RBI master circular DBOD No.BP.BC.13/21.04.141/2012-13 dated July 2, 2012.

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 collateralized borrowing/lending transactions in accordance with RBI guidelines and correspondingly the expense and income thereon are treated as interest.

4.3 Advances and Provisions

Advances are classified into performing and non-performing in terms of prudential norms on asset classification laid down by the RBI. Specific provision for 'Non Performing Advances' is made on the basis of provisioning requirement under the prudential norms as laid down by the RBI, and is deducted from Advances.

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 asset 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. 50,000/- and below are fully depreciated in the month they are put to commercial use.

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Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2013

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. 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 other than on Non-Performing Assets, 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 except guarantee commission up to Rs. 100,000, which is recognized upfront in the year of issuance of guarantee.

c) All other fees are accounted for as and when they become due.

4.8 Employee Benefits

The Bank has voluntarily started Provident Fund for employees. Contribution as required by the statute made to the government provident fund is debited to the Profit and Loss Account when incurred.

The Bank accounts for the liability for future gratuity benefits based on an actuarial valuation. The net present value of the Bank's obligation towards the same is actuarially determined by independent actuary based on the projected unit credit method as at the Balance Sheet date. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

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.

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

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 reflect 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.

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Notes forming part of the financial statements for the year ended March 31, 2013

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 on advances

c) Depreciation on fixed assets

d) Provision on shortfall in value of Investments

e) Provision for contingencies and other necessary provisions

5. Notes to Accounts

5.1 Statutory disclosures

(a) Capital adequacy ratio

The capital adequacy ratio of the Bank, calculated as per RBI guidelines (New Capital Adequacy Framework) generally referred to as Basel – II is set out below:

(Rs '000)

Sr No	Items	March 31, 2013	March 31, 2012
1	CRAR (%) (As per Basel II)	154.76%	205.80%
2	CRAR Tier I Capital (%)	154.60%	205.80%
3	CRAR Tier II Capital (%)	0.16%	-
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

(Rs '000)

	As at March 31, 2013	As at March 31, 2012
(1) Value of investments		
(i) Gross value of investments		
(a) In India	147,998	–
(b) Outside India	–	–
(ii) Provision for depreciation		
(a) In India	–	–
(b) Outside India	–	–
(iii) Net value of investments		
(a) In India	147,998	–
(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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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, 2013

5. Notes to Accounts (continued)

5.1 *Statutory disclosures (continued)*

(c) Repo Transactions *(in face value terms)*

(Rs '000)

	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Outstanding as at year end
Securities sold under repos				
i. Government securities	– (–)	– (–)	– (–)	– (–)
ii. Corporate Debt	– (–)	(–)	(–)	(–)
Securities purchased under Reverse repos.				
i. Government securities	– (–)	(–)	(–)	(–)
ii. Corporate Debt	– (–)	(–)	(–)	(–)

Previous years' figures are shown in brackets.

(d) Issuer composition of Non-SLR investments:

As on March 31, 2013

(Amount in '000)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	–	–	–	–	–
(ii)	FIs	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporate	–	–	–	–	–
(v)	Subsidiaries / Joint Ventures	–	–	–	–	–
(vi)	Others	150	100%	–	100%	100%
(vii)	Provision held towards depreciation	–				
	Total	**150**	**100%**	**–**	**100%**	**100%**

As on March 31, 2012

(Amount in '000)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	–	–	–	–	–
(ii)	FIs	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporate	–	–	–	–	–
(v)	Subsidiaries / Joint Ventures	–	–	–	–	–
(vi)	Others	–	–	–	–	–
(vii)	Provision held towards depreciation	–				
	Total	**–**	**–**	**–**	**–**	**–**

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Notes forming part of the financial statements for the year ended March 31, 2013

5. Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(e) Non-performing Non-SLR investments:
The Bank did not have any investments under this category as at March 31, 2013 (2012: Nil).

(f) Sale and transfers to/from HTM category
The Bank did not sale or transfer any investments to/from HTM Category during the year ended March 31, 2013 (2012: Nil)

(g) Interest rate swaps and forward rate agreements ('FRA')
The Bank has not done any transaction of interest rate swaps or forward rate agreements during the year ended March 31, 2013 (2012: Nil)

(h) Exchange traded interest rate derivatives
No transactions were undertaken during the year in exchange traded interest rate derivatives (2012: Nil). There is no notional principal amount outstanding in respect of exchange traded interest rate derivatives (2012: Nil)

(i) Disclosure on Risk exposure in derivatives

Qualitative Disclosures:
During the year Bank has not undertaken any transactions in derivatives (including forward foreign exchange contracts). The Bank has put dealing infrastructure in place.

1) **Structure and organization for management of risk in derivatives trading:**
Treasury operation is segregated into three different departments viz. front office, mid office and back office. The primary role of front office is to conduct business, that of mid office is to ensure compliance in accordance with set norms and policies and that of back office to process/settle/reconciles the transactions. The Bank has in place policies and procedures, which have been approved by Local management and Head Office which ensures adherence to various risk parameters and prudential limits.

2) **Scope and nature of risk measurement, risk reporting and risk monitoring systems:**
   a) **Risk Measurement:** For forward foreign exchange contracts, risk is measured through a daily report called, Value at Risk (VaR), which computes VaR on the forex gaps.
   b) **Risk Reporting and Risk monitoring systems:** The Bank has reports/systems in place on VaR, Net Open Position and AGL, which are reviewed by the top management.

3) **Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:**
The Bank has the following policy papers in place, approved by Local management and Head Office a) Market Risk policy and b) Forex Policy. The Bank monitors the hedges/mitigants on a continuous basis through daily and monthly reports that are reviewed by the dealing room and top management.

4) **Accounting policy:**
All outstanding derivative transactions are booked as Off Balance Sheet items. The trading positions are revalued on a Marked to Market basis whereas the hedging deals follow the accrual basis of accounting.

Quantitative Disclosure

Sr. No.	Particulars	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	Nil
	a) For hedging	–
	b) For trading	–
2	Marked to Market Positions (Net)	Nil
	a) Asset (+)	–
	b) Liability (-)	–
3	Credit Exposure	Nil
4	Likely impact of one percentage change in interest rate (100*PV01)	Nil
	a) on hedging derivatives	–
	b) on trading derivatives	–
5	Maximum and Minimum of 100*PV01 observed during the year	Nil
	a) on hedging	–
	b) on trading	–

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Notes forming part of the financial statements for the year ended March 31, 2013

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 2012-13 (2011-12: Nil).

Particulars	March 31, 2013	March 31, 2012
(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 nor did the Bank have any restructured accounts at beginning of the year (2012: 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 (2012: Nil). Also there were no realizations during the year (2012: Nil).

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

There was been no purchase /sale of non-performing assets during the year (2012: Nil).

(n) Provision on standard assets (Rs. '000)

Provision towards Standard assets included in Schedule 5 'Other Liabilities and Provisions' of the Financials is:

	As at March 31, 2013	As at March 31, 2012
Provision for Standard Assets	1,432	–

(o) Business ratios/ information

	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest income as percentage to working funds	7.61%	7.66%
Non-interest income as percentage to working funds	0.44%	0.21%
Operating profits as percentage to working funds	1.63%	1.56%
Return on assets[2]	1.21%	1.21%
Business (deposits plus advances) per employee (Rs '000)[3]	32,273	1.11
Profit per employee (Rs '000)[3]	1,540	1,806

Notes:-

1. 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, during the 12 months of the financial year.
2. Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).
3. For computation of ratios above, number of employees as at the year end have been considered.

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Notes forming part of the financial statements for the year ended March 2013

5 Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

(p) Asset Liability Management - Maturity pattern

As on March 31, 2013

(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	March 31, 2013 Total
Advances	–	–	–	210,043	–	–	–	147,800	–	–	357,843
Investments	–	–	–	44,769	54,144	48,934	–	150	–	–	147,998
Deposits	11,707	–	–	–	–	–	50,000	–	–	–	61,707
Borrowings	–	–	150,000	210,083	–	–	–	–	–	–	360,083
Foreign Currency Assets	1,632	–	–	210,043	7,165	–	–	–	–	–	218,840
Foreign Currency Liabilities	932	–	–	210,117	–	–	–	–	–	14,477	225,526

As on March 31, 2012

	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	March 31, 2012 Total
Advances	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	–	–
Deposits	10	–	–	–	–	–	–	–	–	–	10
Borrowings	–	–	–	–	–	–	–	–	–	–	–
Foreign Currency Assets	294	–	–	–	3,281	–	–	–	–	–	3,575
Foreign Currency Liabilities	271	–	–	–	–	–	–	–	–	16,069	16,340

Management has made certain estimates and assumptions in respect of behavioral maturities of non-term assets and liabilities while compiling their maturity profile which has been relied upon by the auditors.

(q) Lending to sensitive sectors

Exposure to real estate

	Category	As on March 31, 2013	As on March 31, 2012
a)	**Direct Exposure**		
	i) Residential Mortgages	–	–
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately)	–	–
	ii) Commercial Real Estate	–	–
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	–	–
	iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	–	–
	a. Residential	–	–
	b. Commercial Real Estate	–	–
b)	**Indirect Exposure**		
	Fund based and non–fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–	–
	Total Exposure to Real Estate Exposure	–	–

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

5.1 Statutory disclosures (continued)

The Bank has an exposure of Rs. 50,000 (‘000) towards borrower in construction industry for working capital. This exposure is against a collateral of Fixed Deposit as at March 31, 2013 (2012: Nil).

Exposure to capital market

The Bank has no exposure to the capital market as at March 31, 2013 (2012: Nil)

(r) Risk category wise country exposure

Provision is made by the Bank for country risk exposure since the Bank’s country wise net funded exposure exceeds 1% of the total assets as on March 31, 2013 (2012: Nil). Details of exposure as per risk category classification is as under

(Rs ‘000)

	As at March 31, 2013		As at March 31, 2012	
	Net Exposure	Provision	Net Exposure	Provision
Insignificant	1,634	–	294	–
Low	210,307	131	–	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	211,941	131	294	–

(s) Securitization exposures

The Bank did not have any securitization exposures during the year (2012: 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 for SBL (2012: Nil) and for GBL (2012: Nil).

(u) Advances against Intangible assets

The Bank does not have any advances secured by intangible assets (2012: Nil).

(v) Subordinated debt

The Bank has not raised any subordinated debt during the year ended March 31,2013 (2012: 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 (2012: 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, 2013	For the year ended March 31, 2012
Service Charges - Head office	13,028	8,251
Loss on exchange fluctuation	–	2,127
Professional fees	2,537	2,879
Miscellaneous Expenses	–	1,320
Subscriptions and Memberships	3,341	–

(y) Micro, Small and Medium Enterprises

Based on the information available with Bank, there are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under Micro, Small and Medium Enterprises Development Act, 2006 as at the end of accounting year. Further, no interest was due or payable by the Bank to any supplier during the year under the provisions of the said Act.

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

5.1 *Statutory disclosures (continued)*

(z) Classification of Net Investments under various categories is as under:

	As at March 31, 2013	As at March 31, 2012
Held to Maturity	–	–
Available for Sale	147,998	–
Held for Trading	–	–
Total	**147,998**	**–**

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

(a) Prior Period Item and Changes in accounting policies

There are no prior period items debited to Profit and Loss Account during current year. With effect from current year the Bank has accounted for guarantee commission below Rs. 100 ('000) as revenue of current year. As a result profits for the year are higher by Rs. 182 ('000).

(b) 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 (upto September 4, 2012)

P. V. Ananthakrishnan - General Manager (from September 5, 2012)

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.

(c) Employee Benefits

Provident Fund

The Bank has contributed an amount of Rs. 1,109 ('000) (2012: Nil) towards Provident Fund during the year.

Gratuity

The Bank has become liable to the provisions of the Payment of Gratuity Act, 1972 with effect from current year and has carried out actuarial valuation of the liability, which is not funded. The following table sets out the status of the defined benefit Gratuity Plan as required under AS 15 (Revised 2005):

(Rs. in '000)

Particulars	**As at March 31, 2013**	**As at March 31, 2012**
Assumptions		
Interest / Discount Rate	8.00%	–
Rate of increase in compensation / salary escalation	10.00%	–
Rate of return (expected) on plan assets	–	–
Employee Attrition Rate	0.50%	–
Expected average remaining service	22.58	–
Changes in present value of obligations		
Present Value of Obligation at beginning of period	–	–
Interest cost	–	–

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

(Rs. in '000)

Particulars	As at March 31, 2013	As at March 31, 2012
Current Service Cost	705	–
Benefits Paid	–	–
Actuarial (gain)/loss on obligation	230	–
Present Value of Obligation at end of period	935	–
Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	–	–
Expected Return on Plan Assets	–	–
Contributions	–	–
Benefit Paid	–	–
Actuarial gain/(loss) on plan assets	–	–
Fair Value of Plan Assets at end of period	–	–
Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	–	–
Actual Return on Plan Assets	–	–
Contributions	–	–
Fair Value of Plan Assets at end of period	–	–
Funded Status	(935)	–
Excess of actual over estimated return on Plan Assets	–	–
Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	(230)	–
Actuarial Gain/(Loss) for the period (Plan Assets)	–	–
Total Gain/(Loss) for the period	(230)	–
Actuarial Gain/(Loss) recognized for the period	(230)	–
Unrecognized Actuarial Gain/(Loss) at end of period	–	–
Amounts to be recognized in the balance sheet and Statement of profit & loss account		
PVO at end of period	935	–
Fair Value of Plan Assets at end of period	–	–
Funded Status	(935)	–
Unrecognized Actuarial Gain/(Loss)	–	–
Net Asset/(Liability) recognized in the balance sheet	(935)	–
Expense recognized in the statement of P & L A/c		
Current Service Cost	705	–
Interest cost	–	–
Expected Return on Plan Assets	–	–
Net Actuarial (Gain)/Loss recognized for the period	230	–
Expense recognized in the statement of P & L A/c	935	–
Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	–	–
Expenses as above	935	–
Contribution paid	–	–
Closing Net Liability	935	–

Leave Encashment

In respect of encashment of privilege leave, the Bank has made provision on actual basis. The year-end provision based on unavailed privilege leave is Rs. 1,060 ('000) (2012: Rs. 1,085 ('000)) and the net write-back to current year profit and loss account is Rs. 25 ('000) (2012: debit Rs. 160 ('000)).

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

(c) Segment Reporting (Rs '000)

Business Segments	Treasury		Corporate Banking		Total	
	31.3.13	31.3.12	31.3.13	31.3.12	31.3.13	31.3.12
Result	107,100	103,163	5,321	1,438	112,421	104,601
Unallocated Expense					85,407	83,515
Operating profit/(loss)					27,014	21,086
Provisions & contingencies			–	–	1,564	–
Income Tax			–	–	5,437	4,835
Extraordinary profit/loss					–	–
Net profit//loss					20,013	16,251
Other Information:						
Segment assets	1,626,945	1,480,137	366,198	–	1,993,143	1,480,137
Unallocated assets		–	–	–	79,360	48,729
Total assets					**2,072,503**	**1,528,866**
Segment liabilities	–	10	422,272	–	422,272	10
Unallocated liabilities	–	–	–	–	1,650,231	1,528,856
Total liabilities					**2,072,503**	**1,528,866**

Geographic Segment:

The Bank is considered to operate only with in one geographic segment.

(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, 2013	As at March 31, 2012
Deferred Tax Assets		
Fixed Assets	1,248	773
Employee Benefits	863	724
Provision on Advances	676	–
Other items allowed on payment basis	2,717	3,668
Total	**5,504**	**5,165**
Deferred Tax Liability	–	–
Net Deferred tax asset	**5,504**	**5,165**

(e) Operating Leases

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

Total operating lease rental of Rs. 25,233 ('000) (2012: Rs 24,873('000)) has been included under Operating expenses-Rent, taxes and lighting in the profit and loss account.

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

(Rs '000)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Not later than one year	11,874	24,873
Later than one year but not later than five years	4,278	10,363
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.

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Notes forming part of the financial statements for the year ended March 31, 2013

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, Correspondent Banks and Head office. 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. Apart from Guarantees amounting to Rs. 30,303 (‘000) (2012: Rs. 25,746 (‘000)), there are no contingent liabilities or contingent assets as on March 31, 2013.

5.3 Additional Disclosures:

(a) Provisions and Contingencies

(Rs ‘000)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Provisions for depreciation on Investment	–	–
Provision towards NPA	–	–
Provision towards standard asset	1,432	–
Provision towards country risk	132	–
Provision for current Income tax	9,420	10,000
Provision reversed for Income tax (Earlier year)	(3,644)	–
Deferred Tax	(339)	(5,165)
Other Provision and Contingencies	–	–
Total	**7,001**	**4,835**

(b) Floating Provision

The Bank does not hold floating provisions as at March 31, 2013 (2012: Nil).

(c) Drawdown from Reserves

The Bank has not drawn down any amount from reserves during the year (2012: Nil).

5.4 Customer complaints

(a) <u>Customer Complaints</u>

	For the year ended March 31, 2013	For the year ended March 31, 2012
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) <u>Awards Passed By Banking Ombudsman</u>

	For the year ended March 31, 2013	For the year ended March 31, 2012
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, 2013 (2012: 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 non performing advances as at March 31, 2013 (2012: Nil).

5.7 Bancassurance income

During the year, the Bank has not earned any income towards Bancassurance business (2012: Nil).

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

5.8 Concentration of Deposits, Advances, Exposures and NPAs

(a) Concentration of Deposits

(Rs '000)

	March 31, 2013	March 31, 2012
Total Deposits of twenty largest depositors	61,707	10
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	100%	100%

(b) Concentration of Advances

(Rs '000)

	March 31, 2013	March 31, 2012
Total Advances of twenty largest borrowers	357,843	–
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	100%	–

(c) Concentration of Exposures

(Rs '000)

	March 31, 2013	March 31, 2012
Total Exposure of twenty largest borrowers/ customers	418,146	25,746
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, 2013	March 31, 2012
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, 2013	Percentage of NPAs to Total Advances in that sector at March 31, 2012
Agriculture & allied activities	–	–
Industry (Micro & small, Medium and Large)	–	–
Services	–	–
Personal Loans	–	–

5.10 Movement of NPAs

Particulars	March 31, 2013	March 31, 2012
Gross NPAs as on 1st April (Opening Balance)	–	–
Addition (Fresh NPAs) during the year	–	–
Sub-total (A)	–	–
Less : (i) Upgradations	–	–
(ii) Recoveries (excluding recoveries from upgraded accounts)	–	–
(iii) Write-offs	–	–
Sub-total (B)	–	–
Gross NPAs as on 31st March (Closing Balance) (A-B)	–	–

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Notes forming part of the financial statements for the year ended March 31, 2013

5 Notes to Accounts (continued)

5.11 Overseas Assets, NPAs and Revenue

(Rs '000)

Particulars	March 31, 2013	March 31, 2012
Total Assets	8,798	3,575
Total NPAs	Nil	Nil
Total Revenue	7,173	2,818

5.12 Off Balance Sheet SPV's

The bank has not sponsored any off-balance sheet SPVs (2012: Nil).

5.13 Unamortized Pension and Gratuity Liabilities

The Bank does not have any unamortized Pension / Gratuity Liability as at March 31, 2013 (2012: Nil).

5.14 Disclosures on Remuneration

Under the guidelines on the compensation of whole time directors / CEOs / risk-takers and control function staff etc. dated January 13, 2012 issued by RBI, United Overseas Bank Mumbai Branch is managed by United Overseas Bank and shares the management resources and infrastructure of United Overseas Bank. In consultation with Mumbai branch management, United Overseas Bank seamlessly manages and administers United Overseas Bank Mumbai's compensation systems concurrently with its own.

The UOB Group's remuneration policy and structure is consistent with FSB compensation principles and standards. As the Groups remuneration policy and structure also applies to UOB Mumbai Branch, the compensation structure in India is thus similarly aligned with FSB principles and standards

In addition, United Overseas Bank submits an annual declaration to Reserve Bank of India on conformity with the FSB principles and standards on compensation structure at UOB Mumbai for all staff including that of CEO.

Qualitative disclosures:		
a.	Information relating to the composition and mandate of the Remuneration Committee	Remuneration committee at Head office consists of non-executive Directors which is headed by an Independent Director as per the requirement of local banking regulations. Remuneration committee is mandated to ensure that the Group's remuneration principles are aligned with prudent risk-taking and applicable laws, regulations and guidelines, establishing a remuneration policy and framework that are in line with the strategic objectives and corporate values of the Group.
b.	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	The remuneration policy is applicable Group-wide and includes overseas subsidiaries and branches. Remuneration for employees is commensurate with their performance and contributions. The Group's remuneration framework is aimed at balancing short-term compensation with sustainable longer-term performance and prudent risk taking while maintaining pay competitiveness.
c.	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks	The Group risk reward framework broadly sets out the group's approach to managing risk and reward. The framework uses quantitative and qualitative measures to incorporate the various risk categories for managing performance and remuneration levers.
d.	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	Under the risk-reward framework the group's key incentive programmes have been designed to take into account internal risk category (eg. Market risk, liquidity risk, operational risk etc.), regulatory requirement and external business environment.
e.	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting	Not Applicable to Indian operations

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, 2013

5 Notes to Accounts (continued)

Qualitative disclosures: *(continued)*

f.	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	Not Applicable to Indian operations
	Quantitive Disclosures (The quantitative disclosures only covers Whole Time Directors / Chief Executive Officer/ Other Risk Takers)	
g.	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Not Applicable to Indian Operations
h.	i. Number of employees having received a variable remuneration award during the financial year. ii. Number and total amount of sign-on awards made during the financial year. iii. Details of guaranteed bonus, if any, paid as joining / sign on bonus. iv. Details of severance pay, in addition to accrued benefits, if any	Not Applicable to Indian Operations
i.	i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked m. instruments and other forms. ii. Total amount of deferred remuneration paid out in the financial year	Not Applicable to Indian operations
j.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Not Applicable to Indian operations
k.	i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. ii. Total amount of reductions during the financial year due to ex- post explicit adjustments. iii. Total amount of reductions during the financial year due to ex- post implicit adjustments.	Not Applicable to Indian operations

5.15 Credit Default Swaps

The Bank has not dealt in Credit default swaps during the year ended March 31, 2013 (2012: Nil)

5.16 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.
Chartered Accountants
Firm Registration number: 116293W

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

Mumbai
Date: June 19, 2013

For United Overseas Bank Limited – Mumbai Branch

Sd/-
P V Ananthakrishnan
General Manager

Sd/-
Girish Khushalani
Vice President - Finance

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BASEL II PILLAR 3 DISCLOSURES

DF-1 Scope of Application

Qualitative Disclosure

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.

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 or under the capital adequacy framework.

Quantitative Disclosure

a. The aggregate amount of Capital deficiencies – NIL
b. The aggregate amounts of Banks' total interests in Insurance entities – NIL

DF-2 Capital structure

Qualitative Disclosure

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

Quantitative Disclosure:

(Rs in Lakhs)

Particulars	As at March 31, 2013
Tier 1 Capital	
Capital (Funds from Head Office)	15,495.09
Statutory Reserve	90.66
Debit Balance in Profit and Loss Account	(292.02)
Deferred Tax Asset	(55.04)
Total Tier 1 Capital	**15,238.69**
Tier 2 Capital	
Provision for Standard Assets and Country Risk	15.64
Other Deductions	–
Total Eligible Capital	**15,254.33**

DF-3 Capital Adequacy

Qualitative Disclosure:

The Bank's capital management involves a continuous capital assessment process which encompasses the assessment 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 CRAR of the Bank is 154.76% 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.

At Head Office level, the bank has drawn its business plan setting up targets across business segments. Based on the same, the Bank has projected its capital requirements in accordance with the current risk profile, which includes UOB Mumbai operations also.

UOB Mumbai's ICAAP Management framework, which aims to ensure that capital supports business growth, stipulates that the Bank should maintain an excess cover relative to the statutory requirement. One of the aims of the ICAAP is to ensure that management adequately identifies and measures the Bank's risks. The process also checks that management takes steps to ensure that the Bank maintains sufficient internal capital relative to its risk profile and that it applies and develops proper risk management systems. Pursuant to regulatory requirements, Reserve Bank of India (RBI) will review and assess the application of ICAAP and the quality of the in-house management procedures of which ICAAP forms an integral part.

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

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Quantitative Disclosure

The Bank's capital requirements and capital ratios as of 31 March 2013 are as follows:-

(Rs in Lakhs)

Composition of Capital	As at 31 March 2013
Capital requirement for credit risk	501.93
(Subject to standardized approach)	
Capital requirement for market risk	
(Subject to standardized duration approach)	
– Interest rate risk	2.40
– Foreign exchange risk	225.00
– Equity risk	–
Capital requirement for operational risk	157.78
(Subject to basic indicator approach)	
Capital Adequacy Ratio	154.76%
Tier 1 Capital Adequacy Ratio	154.60%

DF- 4 Credit Risk: General Disclosures

Qualitative Disclosure

Risk Management

The Group Board has approved a risk management framework for all its entities within the Group, including its Mumbai branch.

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.

UOB

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Quantitative disclosures

(Rs. '000)

Particulars	As at 31 March 2013
Fund based	357,843
Non fund based	30,303

Industry Type Distribution of Exposures (Gross)

(Rs. '000)

Industry code	Industry Name	Fund Based Exposure	Non Fund Based Exposure
3	Iron and Steel	–	–
5	All Engineering	–	–
9	Other Textiles	–	–
17	Chemicals, Dyes, Paints etc	–	–
19	Leather and Leather Products	–	–
20	Gems and Jewellery	–	–
21	Construction	50,000	–
24	Computer Software	–	–
25	Infrastructure	–	–
26	NBFC's	–	–
27	Trading	–	–
28	Other Industries	307,843	30,303
29	Retail Advances	–	–
	Total	**357,843**	**30,303**

Residual maturity of assets

(Rs. '000)

	Cash, Balances with RBI and other Banks	Advances	Investments	Deposits	Borrowings
Day 1	49,273	-	-	11,707	-
2 to 7 days	26,280	–	–	–	–
8 to 14 days	231,000	–	–	–	150,000
15 to 28 days	250,341	210,043	44,769	–	210,083
29 days to 3 months	627,188	–	54,144	–	–
Over 3 months to 6 months	250,000	–	48,934	–	–
Over 6 months to 12 months	–	–	–	50,000	–
Over 1 year to 3 years	2,000	147,800	150	–	–
Over 3 years to 5 years	–	–	–	–	–
Over 5 years	–	–	–	–	–
Total	**1,436,082**	**357,843**	**147,998**	**61,707**	**360,083**

Details of NPAs

(Rs. '000)

	As at 31 March 2013
(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	–

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DF-5 Credit Risk: Disclosures for Portfolios subject to Standardised approach

Qualitative Disclosure

As per the RBI guidelines, the bank has identified CARE, CRISIL, ICRA, Brickwork Rating India P. Ltd and Fitch India (Domestic Credit Rating Agencies) and Fitch, Moody's and S & P (International Rating Agencies) as approved rating agencies, for the purpose of rating the domestic and overseas exposures respectively, whose ratings are used for the purpose of capital calculation.

Currently most of the credit exposures of the bank are rated by aforesaid rating agencies as per RBI guidelines.

Quantitative Disclosure

(Rs. in Lakhs)

Sr. No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	17,791.23
2	100% risk weight exposure outstanding	2,040.05
3	More than 100% risk weight exposure outstanding	0
	Total	**19,831.28**

DF-6 Credit Risk Mitigation

Qualitative Disclosures

UOB Mumbai uses financial and non-financial collaterals and guarantees to mitigate the underlying credit risk in its regular lending operations

DF-7 Securitisation: Disclosure for standardised approach

The Bank currently does not have any securitised exposures.

DF-8 Market Risk in Trading Book

Qualitative Disclosure

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 balanced at the Group and Branch with the targeted revenue, and takes into account the capital position of the Group and Branch to ensure that it remains well-capitalised under stressed 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.

Overview of Policies and Procedures

Market risk of the Bank is defined as the risk to the Bank's earnings and capital due to changes in the market interest rate or prices of securities, foreign exchange, commodities and equities as well as volatilities of changes. The salient features of the market risk at the Bank are as under:

Bank has exposures such as T Bills held in AFS category in "Banking Book" which is valued at carrying cost. Bank also has foreign exchange exposures which are marked to market for valuation. The Bank has a detailed policies covering ALM, Market Risk, investments, foreign exchange risk management and derivatives.

Roles and Responsibilities: The Bank has Risk Management committee, which is responsible for defining and estimating the market risk inherent in all activities. As regards to investments, the ALCO is responsible for the pattern and composition of investments. The middle office assesses the risk independently and is responsible for preparing stress testing scenarios, providing inputs in pricing market risk, performing revaluation and marking to market of market exposures.

Quantitative Disclosure

(Rs in Lakhs)

	As at 31 March 2013
I. Interest Rate (a+b)	**2.40**
a. General market risk	**2.40**
i. Net position (parallel shift)	2.40
ii. Horizontal disallowance (curvature)	–
iii. Vertical disallowance (basis)	–
iv. Options	–
b. Specific risk	–
II. Equity (a+b)	**–**
a. General market risk	–
b. Specific risk	–
III. Foreign Exchange & Gold	**225.00**
IV. Total Capital charge for Market risks (I+II+III)	**227.40**

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DF-9 Operational Risk

Qualitative Disclosure

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.

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.

Quantitative Disclosures

As on 31st March 2013, the Operational Risk Capital Charge for the Bank was **Rs. 157.78 Lakhs** based on previous 3 year's average gross income.

DF-10 Interest rate risk in banking book (IRRBB)

Qualitative Disclosures

Overview of Policies and Procedures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off- Balance Sheet [OBS] items with different principal amount, maturity dates or repricing dates thereby creating exposure to changes in levels of interest rates.

Interest Rate Risk is part of the overall ALM (Asset Liability Management) Policy of the bank. Broad overview of the ALM policy is as below:

Asset liability committee (ALCO) is responsible for the implementation of interest rate risk management strategy for the Bank. The day-to-day responsibility of monitoring, evaluation and risk measurement rests with middle office.

Interest rate sensitive gap statements across pre-defined time buckets are continuously monitored for measuring and managing the interest rate risk.

Quantitative Disclosures

The Banks assesses its exposure to Interest Rate Risk in Banking Book using the Economic Value of Equity (EVE) approach & calculate likely drop in Market Value of Equity with 200 bps change in interest rates. The estimated impact of such shock as at 31st March 2013

(INR in Lakhs)

Particulars	Amount
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	73.24
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	234.24