UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

INDEPENDENT AUDITOR'S REPORT

To
The General Manager & Country Head
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, 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with Section 29 of the Banking Regulation Act, 1949, Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, in so far as they apply to Banks and the Guidelines and Circulars issued by the Reserve Bank of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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 and 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 Bank as at 31st March, 2014;

   (ii) In the case of the Profit and Loss Account of the profit 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 Bank for the year ended on that date.

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Report on Other Legal and Regulatory Matters

7. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement 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.

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 Bank, which have come to our notice, have been within the powers of the Bank.

    c) The Bank has only one branch and therefore separate accounting returns for the purpose of preparation of financial statements are not to be submitted. We have visited the Bank's Mumbai branch for the purpose of our audit.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, to the extent they apply to Banks.

10. We further report that:

    (i) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement 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 Bank so far as appears from our examination of those books.

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 9, 2014

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

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Balance Sheet as at 31 March 2014

	Schedule	As at 31 March 2014 (Rs 000s)	As at 31 March 2013 (Rs 000s)
CAPITAL AND LIABILITIES			
Capital	1	1,549,509	1,549,509
Reserves and Surplus	2	11,856	9,066
Deposits	3	614,066	61,707
Borrowings	4	1,400,214	360,083
Other Liabilities and Provisions	5	205,878	92,138
Total		**3,781,523**	**2,072,503**
ASSETS			
Cash and balances with Reserve Bank of India	6	135,418	21,342
Balances with Banks and Money at Call and Short Notice	7	338,045	1,414,740
Investments	8	1,049,561	147,998
Advances	9	2,133,843	357,843
Fixed Assets	10	30,192	16,137
Other Assets	11	94,464	114,443
Total		**3,781,523**	**2,072,503**
Contingent Liabilities	12	8,326,399	30,303
Bills for collection		15,570,417	–
Significant Accounting Policies	17		
Notes to the accounts	18		

Profit and Loss Account for the year ended 31 March 2014

	Schedule	Year Ended 31 March 2014 (Rs 000s)	Year Ended 31 March 2013 (Rs 000s)
I. INCOME			
Interest earned	13	208,574	138,706
Other income	14	42,284	7,217
Total		**250,858**	**145,923**
II. EXPENDITURE			
Interest expended	15	62,527	591
Operating expenses	16	159,713	118,318
Provisions and Contingencies		17,458	7,001
Total		**239,698**	**125,910**
III. PROFIT/ (LOSS)			
Net Profit/(Loss) for the period (After Tax)		11,160	20,013
Profit/(Loss) brought forward		(29,202)	(44,212)
Total		**(18,042)**	**(24,199)**
IV. APPROPRIATIONS			
Transfers to / (from) Statutory Reserve		2,790	5,003
Balance carried over to Balance Sheet		(20,832)	(29,202)
Total		**(18,042)**	**(24,199)**
Significant Accounting Policies	17		
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

Sd/-
Satish Kumar Gupta
Partner
Membership No. 101134

For United Overseas Bank Limited – Mumbai Branch

Sd/-
P V Ananthakrishnan
General Manager &
Country Head

Sd/-
Girish Khushalani
Vice President – Finance

Place: Mumbai
Date: June 9, 2014

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Cash Flow Statement for the year ended March 31, 2014

	Year ended 31 March 2014 *(Rs.000)*	Year ended 31 March 2013 *(Rs.000)*
Cash flow from operating activities		
Profit for the year before tax	20,616	25,450
Adjustments for:		
Depreciation charge for the year	6,632	3,240
Provision for Standard Advances/Country Risk	8,002	1,564
	35,250	30,254
Increase/(Decrease) in Deposits	552,359	61,697
Increase/(Decrease) in Borrowings	1,040,131	360,083
Increase/(Decrease) in Other liabilities and provisions	109,879	(4,413)
(Increase)/Decrease in Investments	(901,563)	(147,998)
(Increase)/Decrease in Advances	(1,776,000)	(357,843)
(Increase)/Decrease in Other Assets	2,154	(47,004)
Income Tax (paid)/Refund received	(4,141)	(6,300)
Net cash flow from operating activities	**(941,931)**	**(111,524)**
Cash flow from investing activities		
Purchase of fixed assets	(20,688)	(8,022)
Net cash used in investing activities	**(20,688)**	**(8,022)**
Cash flow from financing activities		
Infusion of capital from Head Office	–	75,491
Net cash generated from financing activities	**–**	**75,491**
Net (decrease)/increase in cash and cash equivalents	**(962,619)**	**(44,055)**
Cash and cash equivalents* as at beginning of the year	**1,436,082**	**1,480,137**
Cash and cash equivalents* as at end of the year	**473,463**	**1,436,082**

* (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 &
Country Head

Sd/-
Girish Khushalani
Vice President – Finance

Place: Mumbai
Date: June 9, 2014

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UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Schedules forming part of the financial statements

	As at 31 March 2014 (Rs 000s)	As at 31 March 2013 (Rs 000s)
Schedule 1 : Capital		
Head Office Account		
Capital remitted by Head Office	1,549,509	1,474,018
Additions during the year	–	75,491
Total	**1,549,509**	**1,549,509**
(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.)	10,000	7,000
Schedule 2 : Reserves and Surplus		
1 **Statutory Reserve**		
Opening balance	9,066	4,063
Additions during the year	2,790	5,003
Deductions during the year	–	–
Closing balance	**11,856**	**9,066**
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)	**11,856**	**9,066**
Schedule 3 : Deposits		
A I Demand Deposits		
i) From banks	–	–
ii) From others	62,682	11,707
II Saving Bank Deposits	1,134	–
III Term Deposits		
i) From banks	–	–
ii) From others	550,250	50,000
Total (I + II + III)	**614,066**	**61,707**
B i) Deposits of Branches In India	614,066	61,707
ii) Deposits of Branches Outside India	–	–
Total	**614,066**	**61,707**

	As at 31 March 2014 (Rs 000s)	As at 31 March 2013 (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	1,400,214	210,083
ii) From others	–	–
Total (I + II)	**1,400,214**	**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	4,784	482
4 Provision for Income Tax (Net)	2,336	–
5 Others (including provisions)	198,758	91,656
Total	**205,878**	**92,138**
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	135,418	21,342
ii) In other accounts	–	–
Total (I + II)	**135,418**	**21,342**
Schedule 7 : Balances with Banks and Money at Call & Short Notice		
I. In India		
i) Balance with Banks		
(a) In current accounts	2,743	2,713
(b) In other deposit accounts	300,000	1,370,395
ii) Money at Call and Short Notice		
(a) With Bank	–	40,000
(b) With other institutions	–	–
Total	**302,743**	**1,413,108**
II. Outside India		
i) In current accounts	35,302	1,632
ii) In other deposit accounts	–	–
iii) Money at call and short notice	–	–
Total	**35,302**	**1,632**
Total (I + II)	**338,045**	**1,414,740**

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UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Schedules forming part of the financial statements

	As at 31 March 2014 (Rs 000s)	As at 31 March 2013 (Rs 000s)
Schedule 8 : Investments		
I Investments in India		
i) Government Securities (T-Bill)	1,049,411	147,848
ii) Other Approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others	150	150
II Investments outside India		
i) Government securities (including local authorities)	–	–
ii) Subsidiaries and/or joint ventures abroad	–	–
iii) Others	–	–
Total	**1,049,561**	**147,998**
Schedule 9 : Advances		
A. i) Bills purchased and discounted	202,043	210,043
ii) Cash credits, overdrafts and loans repayable on demand	1,734,000	–
iii) Term loans	197,800	147,800
Total	**2,133,843**	**357,843**
B. i) Secured by tangible assets (including book debts)	470,000	50,000
ii) Covered by Bank/ Government guarantees	239,379	307,843
iii) Unsecured	1,424,464	–
Total	**2,133,843**	**357,843**
C.I. Advances in India		
i) Priority sector	242,043	210,043
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	1,891,800	147,800
Total	**2,133,843**	**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 2014 (Rs 000s)	As at 31 March 2013 (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	26,686	15,322
Additions during the year	12,984	11,364
Deductions during the year	–	–
Gross book value	39,670	26,686
Depreciation to date	(17,182)	(10,549)
Net book value	**22,488**	**16,137**
III. Capital Work-in-progress (including Capital Advances)	7,704	–
Total (I + II + III)	**30,192**	**16,137**
Schedule 11 : Other Assets		
I. Interest Accrued	19,756	51,220
II. Inter office adjustments Branches in India (net)	–	–
III. Advance Tax and Tax Deducted at Source (Net)	–	4,669
IV. Stationery and stamps	–	–
V. Deferred Tax Asset (Net)	7,194	5,504
VI. Non-banking assets acquired in statisfaction of claims	–	–
VII. Others (including debit balance in profit and loss account of Rs. 20,832 (Rs. In '000) for current year, Rs. 29,202 for previous year) (Rs. In '000)	67,514	53,050
Total	**94,464**	**114,443**
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	8,273,275	–
IV. Guarantees given on behalf of constituents,		
(i) In India	–	–
(ii) Outside India	33,303	30,303
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable	19,821	–
Total	**8,326,399**	**30,303**

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Schedules forming part of the financial statements

	Year Ended 31 March 2014 (Rs 000s)	Year Ended 31 March 2013 (Rs 000s)
Schedule 13 : Interest Earned		
I. Interest/discount on advances/bills	98,402	7,054
II. Income on investments	45,135	4,459
III. Interest on balances with Reserve Bank of India and other inter-bank funds	65,037	127,193
IV. Others	–	–
Total	**208,574**	**138,706**
Schedule 14 : Other Income		
I. Commission, exchange and brokerage	41,420	7,865
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)	354	(1,191)
VI. Miscellaneous Income	510	543
Total	**42,284**	**7,217**
Schedule 15 : Interest Expended		
I. Interest on deposits	11,093	210
II. Interest on Reserve Bank of India/inter-bank borrowings	14,188	381
III. Others (Swap Premium Amortisation)	37,246	–
Total	**62,527**	**591**

	Year Ended 31 March 2014 (Rs 000s)	Year Ended 31 March 2013 (Rs 000s)
Schedule 16 : Operating Expenses		
I. Payments to and provisions for employees	96,247	57,980
II. Rent, taxes and lighting	24,888	29,790
III. Printing & Stationery	361	157
IV. Advertisement and publicity	324	255
V. Depreciation on bank's property	6,632	3,240
VI. Directors fees, allowances and expenses	–	–
VII. Auditor's fees and expenses	531	446
VIII. Law charges	1,460	314
IX. Postage, telegrams and telephone etc	494	226
X. Repairs and maintenance	3,754	4,559
XI. Insurance	361	208
XII. Other expenditure (Refer note -5.1(x) of Schedule 18)	24,661	21,143
Total	**159,713**	**118,318**

Significant Accounting Policies forming part of the financial statements for the year ended March 31, 2014

SCHEDULE 17

1. Background

The accompanying financial statements for the year ended March 31, 2014 comprise of the accounts of the Mumbai branch ("Bank") of United Overseas Bank Ltd., which is incorporated and registered in Singapore with limited liability.

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.

UOB

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, 2014

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 foreign exchange contracts, guarantees denominated in foreign currencies are disclosed at the closing exchange rates notified by FEDAI.

4.2 Investments

The classification and valuation of investments is in accordance with RBI master circular DBOD No.BP.BC.8/21.04.141/2013-14 dated July 1, 2013.

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	5 years
Leasehold improvements	Tenure of lease
Computers and Software	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.

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

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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

Provident Fund:

The Bank contributes an amount equal to the Employees' contribution on a monthly basis to the Regional Provident Fund Commissioner. The Bank has not liability for future provident fund benefits apart from its monthly contribution which is debited to the Profit and Loss Account.

Gratuity:

The Bank operates a Gratuity Fund Scheme and the contributions are remitted to the Trust established for this purpose. The trust in turn deploys the funds with the Life Insurance Corporation of India, which also administers the scheme and determines the contribution premium required to be paid by the Bank. The Bank provides for gratuity to all its employees. The benefit is in the form of lump sum payments to vested employees on retirement, resignation, death while in employment or on termination of employment for an amount equivalent to 15 days basic salary payable for each completed years of service. Vesting occurs on completion of five years of service. 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.

Short term Compensated Absences:

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.

UOB

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

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 on advances
c) Depreciation on fixed assets
d) Provision for shortfall in the value of Investments
e) Provision for contingencies and other necessary provisions

SCHEDULE 18

Notes forming part of the financial statements for the year ended March 31, 2014

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 – III is set out below:

(Rs '000)

Sr No	Items	March 31, 2014
i.	Common Equity Tier 1 capital ratio (%)	89.51%
ii.	Tier 1 Capital ratio (%)	89.51%
iii.	Tier 2 Capital ratio (%)	0.56%
iv.	Percentage of the shareholding of the Government of India in public sector banks	N.A.
v.	Amount of Equity Capital raised	–
vi.	Amount of additional Tier 1 capital raised; of which	–
a.	PNCPS	–
b.	PDI	–
vii	Amount of Tier 2 capital raised of which	–
a.	Debt Capital Instruments	–
b.	Preference Share Capital Instruments/Perpetual cumulative preference shares/ Redeemable non cumulative preference shares/Redeemable cumulative preference shares	–

Note: In terms of RBI circular DBOD. No. BP.BC.2/21.06.201/2012-13 dated March 28, 2013 banks have been advised to disclose capital ratios computed under Basel III Capital Regulations from the current year. Accordingly, corresponding details for previous year are not given.

UOB

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, 2014

Sr. No	Particulars	31st March 2014 (As per Basel II)	31st March 2013 (As per Basel II)
1	CRAR (%) (As per Basel II)	90.07%	154.76%
2	CRAR Tier I Capital (%)	89.51%	154.60%
3	CRAR Tier II Capital (%)	0.56%	0.16%

(b) ***Investments***

(Rs '000)

	As at March 31, 2014	As at March 31, 2013
(1) Value of investments		
(i) Gross value of investments		
(a) In India	1,049,561	147,998
(b) Outside India	–	–
(ii) Provision for depreciation		
(a) In India	–	–
(b) Outside India	–	–
(iii) Net value of investments		
(a) In India	1,049,561	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	–	–

(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, 2014

(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	150	–	150	150
(vii)	Provision held towards depreciation	–				
	Total	**150**	**150**	**–**	**150**	**150**

UOB

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, 2014

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	150	–	150	150
(vii)	Provision held towards depreciation	–				
	Total	**150**	**150**	**–**	**150**	**150**

(e) ***Non-performing Non-SLR investments***

The Bank did not have any investments under this category as at March 31, 2014 (2013: 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, 2014 (2013: 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, 2014 (2013: Nil)

(h) ***Exchange traded interest rate derivatives***

No transactions were undertaken during the year in exchange traded interest rate derivatives (2013: Nil). There is no notional principal amount outstanding in respect of exchange traded interest rate derivatives (2013: Nil)

(i) ***Disclosure on Risk exposure in derivatives***

The Bank has exposure to derivatives in the form of forward foreign exchange contracts

Qualitative Disclosures:

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 the 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/reconcile the transactions.

The Bank has in place a Risk Management Committee which reviews/approves policies and procedures and reviews 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.

The Bank has the following reports/systems in place which are reviewed by the top management:

i. VaR.

ii. Net open position

iii. AGL/IGL

iv. Stop loss limits

v. Bankline limits

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, 2014

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

(Rs. In ‘000)

Sr. No.	Particulars	Currency Derivatives (Forward Foreign exchange contracts) 2013-14	2012-13
1	Derivatives (Notional Principal Amount)		
	a) For hedging	1,336,833	–
	b) For trading	7,597,183	–
2	Marked to Market Positions		
	a) Asset (+)	47,253	–
	b) Liability (–)	(47,332)	–
3	Credit Exposure	225,933	–
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	(546.83)	–
	b) on trading derivatives	8.42	–
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging		
	Minimum	(1,250.72)	–
	Maximum	444.26	–
	b) on trading		
	Minimum	1.08	–
	Maximum	8.42	–

Currency Derivatives includes foreign exchange contracts only.

The credit exposure is computed based on the current exposure method specified in the RBI Basel II Norms

(j) ***Non-Performing Advances (NPA)***

The Bank did not have any non performing advances during the Financial Year 2013-14 (2012-13: Nil).

i) Movement in NPAs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Gross NPAs as on 1st April (Opening Balance)		
Additions (Fresh NPAs) during the year	–	–
Sub-total (A)	–	–
Less:		
i. Upgradations	–	–
ii. Recoveries (excluding recoveries made from upgraded accounts)	–	–
iii. Technical/Prudential Write-offs	–	–
iv. Write-offs other than those under (iii) above	–	–
Sub-total (B)		
Gross NPAs as on 31st March (Closing Balance) (A-B)	–	–

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Notes forming part of the financial statements for the year ended March 2014

ii) Technical/Prudential Write-offs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Balance of Technical/Prudential Write-offs accounts as on April 1	–	–
Add: Technical/Prudential Write-offs during the year	–	–
Sub-total (A) –	–	
Less: Recoveries made from previously technical/prudential written-off accounts during the year (B)	–	–
Closing Balance as on March 31 (A-B)	–	–

iii) Movement of Provision for NPAs (excluding provisions on standard assets)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
(a) Opening balance	–	–
(b) Provisions made during the year	–	–
(c) Write-off/write-back of excess provisions	–	–
(d) Closing balance	–	–

(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 (2013: 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 (2013: Nil). Also there were no realizations during the year (2013: Nil)

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

There was been no purchase/sale of non-performing assets during the year (2013: 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, 2014	As at March 31, 2013
Provision for Standard Assets	9,439	1,432

(o) *Business ratios/information*

	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest income as percentage to working funds	8.06%	8.36%
Non-interest income as percentage to working funds	1.63%	0.44%
Operating profits as percentage to working funds	1.11%	1.63%
Return on assets[2]	0.43%	1.21%
Business (deposits plus advances) per employee (Rs '000)[3]	161,642	32,273
Profit per employee (Rs '000)[3]	652	1,540

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.

UOB

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, 2014

(p) ***Asset Liability Management – Maturity pattern***

(Rs '000)

As on March 31, 2014

	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, 2014 Total
Advances	–	598,625	58,173	575,245	392,500	259,000	250,300	–	–	–	2,133,843
Investments	–	–	–	–	–	385,849	663,562	150	–	–	1,049,561
Deposits	63,816	250,000	–	200,000	–	100,000	250	–	–	–	614,066
Borrowings	–	–	77,291	124,623	–	599,150	599,150	–	–	–	1,400,214
Foreign Currency Assets	35,302	8,625	58,173	135,245	9,117	–	–	–	–	–	246,462
Foreign Currency Liabilities	13	1	77,323	124,652	–	601,282	600,523	–	–	18,427	1,422,221

As on March 31, 2013

	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

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, 2014**	**As on March 31, 2013**
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	–	–

The Bank has an exposure of Rs. 100,000 ('000) as at March 31, 2014 (2013: Rs. 50,000 ('000)) towards borrower in construction industry for working capital. This exposure is against a collateral of Fixed Deposit

UOB

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, 2014

Exposure to capital market

The Bank has no exposure to the capital market as at March 31, 2014 (2013: 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. Details of exposure as per risk category classification is as under (Rs '000)

Risk Category	As at March 31, 2014		As at March 31, 2013	
	Net Exposure	Provision	Net Exposure	Provision
Insignificant	168,883	48	1,634	–
Low	77,579	78	210,307	131
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	246,462	126	211,941	131

(s) *Securitization exposures*

The Bank did not have any securitization exposures during the year (2013: 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 (2013: Nil) and for GBL (2013: Nil).

(u) *Advances against Intangible assets*

The Bank does not have any advances secured by intangible assets (2013: Nil).

(v) *Subordinated debt*

The Bank has not raised any subordinated debt during the year ended March 31, 2014 (2013: 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 (2013: 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, 2014	For the year ended March 31, 2013
Recharges – Head Office	9,312	13,028
Professional fees	4,842	2,537
Information Services and subscriptions	6,223	3,341

(y) *Micro, Small and Medium Enterprises*

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. The determination has been made to the extent such parties were identified based on the available information (2013: Nil)

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

	As at March 31, 2014	As at March 31, 2013
Held to Maturity	–	–
Available for Sale	1,049,561	147,998
Held for Trading	–	–
Total	**1,049,561**	**147,998**

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, 2014

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***

During the year, the Bank has revised the useful life of its Office Equipment from 10 years to 5 years with retrospective effect. As a result, profits for the year are lower by Rs. 209 ('000).

Up to FY 2012-13, Bank fully depreciated its assets costing Rs. 50 ('000) or below, the value of which has been revised to Rs. 25 ('000) or below from FY 2013-14. There is no impact of the same on the profits for the year.

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

United Overseas Bank (Thai) PCL

These include only those related parties with whom transactions have occurred during current/previous year.

c) Key management personnel:

P. V. Ananthakrishnan – General Manager

2) Transactions with related parties – United Overseas Bank Group where common control exists in the ordinary course of business.

(Rs. in '000)

Items	2013-14	2012-13
Non-Funded Commitments		
– Outstanding at the end of the year	8,943	–
– Maximum balance outstanding during the year	8,943	–
Rendering of services (incl Fee/Commission Income)		
– Transactions during the year	210	–
– Outstanding at the end of the year	–	–
– Maximum balance outstanding during the year	148	–
Receiving of services (including Recharges)		
– Transactions during the year	5,880	12,237
– Outstanding at the end of the year	1,727	944
– Maximum balance outstanding during the year	1,727	4,000

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.

(b) ***Employee Benefits***

Provident Fund

The Bank has contributed an amount of Rs. 4,125 ('000) (2013: Rs. 1,109 ('000)) towards Provident Fund during the year.

UOB

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, 2014

Gratuity

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, 2014	As at March 31, 2013
Assumptions		
Interest/Discount Rate	9.09%	8.00%
Rate of increase in compensation/salary escalation	10.00%	10.00%
Rate of return (expected) on plan assets	8.75%	–
Employee Attrition Rate	6.00%	0.50%
Changes in present value of obligations		
Present Value of Obligation at beginning of period	935	–
Interest cost	75	–
Current Service Cost	1,051	705
Benefits Paid	–	–
Actuarial (gain)/loss on obligation	(470)	230
Present Value of Obligation at end of period	1,591	935
Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	–	–
Expected Return on Plan Assets	68	–
Contributions	1,550	–
Benefit Paid	–	–
Actuarial gain/(loss) on plan assets	(10)	–
Fair Value of Plan Assets at end of period	1,608	–
Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	–	–
Actual Return on Plan Assets	58	–
Contributions	1,550	–
Fair Value of Plan Assets at end of period	1,608	–
Funded Status	17	(935)
Excess of actual over estimated return on Plan Assets	(10)	–
Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	470	(230)
Actuarial Gain/(Loss) for the period (Plan Assets)	(10)	–
Total Gain/(Loss) for the period	460	(230)
Actuarial Gain/(Loss) recognized for the period	460	(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	1,591	935
Fair Value of Plan Assets at end of period	1,608	–
Funded Status	17	(935)
Unrecognized Actuarial Gain/(Loss)	–	–
Net Asset/(Liability) recognized in the balance sheet	17	(935)
Expense recognized in the statement of P & L A/c		
Current Service Cost	1,051	705
Interest cost	75	–
Expected Return on Plan Assets	(68)	–
Net Actuarial (Gain)/Loss recognized for the period	(460)	230
Expense recognized in the statement of P & L A/c	598	935
Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	935	–
Expenses as above	598	935
Contribution paid	(1,550)	–
Closing Net Liability	(17)	935

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, 2014

Experience Adjustments:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Actuarial (Gain)/Loss on Obligations	150	(230)
Actuarial Gain/(Loss) on Plan Assets	(10)	–

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. 2,049 (‘000) (2013: Rs. 1,060 (‘000)) and the debit to current year profit and loss account is Rs. 989 (‘000) (2013: write back Rs. 25 (‘000)).

(c) ***Segment Reporting***

(Rs ‘000)

Business Segments	Treasury		Corporate Banking		Unallocated		Total	
	31.3.14	31.3.13	31.3.14	31.3.13	31.3.14	31.3.13	31.3.14	31.3.13
Revenue	110,526	130,461	139,891	15,462	441	–	250,858	145,923
Result	30,389	107,100	106,139	5,321	(107,910)	(85,407)	28,618	27,014
Provisions & contingencies	–	–	8,002	1,564	–	–	8,002	1,564
Income Tax	–		–	–	9,456	5,437	9,456	5,437
Extraordinary profit/loss	–	–	–	–	–	–	–	–
Net profit//loss	–	–	–	–	–	–	11,160	20,013
Other Information:								
Segment assets	1,532,892	1,626,945	2,140,199	366,198	108,432	79,360	3,781,523	2,072,503
Segment liabilities	1,490,894	–	628,519	422,272	1,662,110	1,650,231	3,781,523	2,072,503

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, 2014	As at March 31, 2013
Deferred Tax Assets		
Fixed Assets	1,311	1,248
Employee Benefits	887	863
Provision on Advances	4,193	676
Other items allowed on payment basis	803	2,717
Total	**7,194**	**5,504**
Deferred Tax Liability	–	–
Net Deferred tax asset	**7,194**	**5,504**

(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. 31,522 (‘000) (2013: Rs 25,233 (‘000)) has been included under Operating expenses-Rent, taxes and lighting in the profit and loss account.

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, 2014

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

(Rs '000)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Not later than one year	26,697	11,874
Later than one year but not later than five years	87,321	4,278
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.

(f) ***Description of Contingent Liabilities (included in Scheduled 12)***

Contingent Liability	Brief Description
1. Liability on account of outstanding Foreign Exchange Contracts	The Bank enters into foreign exchange contracts with Inter Bank participants on its own account and for customers. Forward Exchange contracts are commitments to buy/sell foreign currency at a future date at the contracted rate.
2. Guarantees given on behalf of constituents, Acceptances, endorsements and other obligations	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.
3. Other Items for which Bank is contingently liable	These include estimated amount of contracts remaining to be executed on capital account.

5.3 Additional Disclosures:

(a) ***Provisions and Contingencies***

(Rs '000)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Provisions for depreciation on Investment	–	–
Provision towards NPA	–	–
Provision towards standard asset	8,007	1,432
Provision/(write back) towards country risk	(5)	132
Provision for current Income tax	11,146	9,420
Provision reversed for Income tax (Earlier year)	–	(3,644)
Deferred Tax	(1,690)	(339)
Other Provision and Contingencies	–	–
Total	**17,458**	**7,001**

(b) ***Floating Provision***

The Bank does not hold floating provisions as at March 31, 2014 (2013: Nil).

(c) ***Drawdown from Reserves***

The Bank has not drawn down any amount from reserves during the year (2013: Nil).

5.4 Customer complaints

(a) *Customer Complaints*

	For the year ended March 31, 2014	For the year ended March 31, 2013
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	–	–

UOB

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, 2014

(b) *Awards Passed By Banking Ombudsman*

	For the year ended March 31, 2014	For the year ended March 31, 2013
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, 2014 (2013: 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, 2014 (2013: Nil).

5.7 ***Bancassurance income***

During the year, the Bank has not earned any income towards Bancassurance business (2013: Nil).

5.8 ***Concentration of Deposits, Advances, Exposures and NPAs***

(a) ***Concentration of Deposits***

(Rs '000)

	March 31, 2014	March 31, 2013
Total Deposits of twenty largest depositors	614,066	61,707
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	100%	100%

(b) ***Concentration of Advances***

(Rs '000)

	March 31, 2014	March 31, 2013
Total Advances of twenty largest borrowers	2,275,773	418,146
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	100%	100%

(c) ***Concentration of Exposures***

(Rs '000)

	March 31, 2014	March 31, 2013
Total Exposure of twenty largest borrowers/customers	2,275,773	418,146
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, 2014	March 31, 2013
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, 2014	Percentage of NPAs to Total Advances in that sector at March 31, 2013
Agriculture & allied activities	–	–
Industry (Micro & small, Medium and Large)	–	–
Services	–	–
Personal Loans	–	–

UOB

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, 2014

5.10 ***Movement of NPAs***

(Rs '000)

Particulars	March 31, 2014	March 31, 2013
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)	–	–

5.11 ***Overseas Assets, NPAs and Revenue***

(Rs '000)

Particulars	March 31, 2014	March 31, 2013
Total Assets	44,419	8,798
Total NPAs	Nil	Nil
Total Revenue	33,884	7,173

5.12 ***Off Balance Sheet SPV's***

The bank has not sponsored any off-balance sheet SPVs (2013: Nil).

5.13 ***Unamortized Pension and Gratuity Liabilities***

The Bank does not have any unamortized Pension/Gratuity Liability as at March 31, 2014 (2013: Nil)

5.14 ***Disclosures on Remuneration***

In accordance with the requirement the requirements of the RBI circular no. DBOD.NO.BC.72/29.67/001/2011-12 dated 13th January 2012, the Head office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of the CEO is in conformity with the Financial Stability Board principles and standards.

5.15 There is no material impairment of assets and as such there is no provision required in terms of AS-28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India.

5.16 ***Credit Default Swaps***

The Bank has not dealt in Credit default swaps during the year ended March 31, 2014 (2013: Nil)

5.17 ***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

For United Overseas Bank Limited – Mumbai Branch

Sd/-
P V Ananthakrishnan
General Manager &
Country Head

Sd/-
Girish Khushalani
Vice President – Finance

Place: Mumbai
Date: June 9, 2014

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

BASEL III- PILLAR 3 DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2014

DF-1 Scope of Application

Qualitative Disclosures:

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.

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 Disclosures:

(a) List of group entities considered for consolidation:
Not Applicable.

(b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation
Not Applicable.

(c) The aggregate amount of capital deficiencies in subsidiaries:
Not Applicable.

(d) The aggregate amount of the bank's total interests in insurance entities:
Not Applicable

(e) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:
Not Applicable

Capital Structure:

Qualitative Disclosures:

(a) Summary information and main features of capital instruments are given below.

The Bank's Tier I capital will consist of Common Equity Tier I and Additional Tier I capital. Common Equity Tier 1 (CET1) capital must be at least 5.5% of risk-weighted assets (RWAs) i.e. for credit risk + market risk + operational risk on an ongoing basis and Additional Tier I capital can be a maximum of 1.5%, thus making total Tier I capital to be at least 7%.

In addition to the minimum Common Equity Tier 1 capital of 5.5% of RWAs, banks are also required to maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of Common Equity Tier 1 capital. In terms of the RBI guidelines dated March 27, 2014 the implementation of CCB will begin as on March 31, 2016. Consequently, BASEL III Capital Regulations will be fully implemented as on March 31, 2019.

Bank's Tier I Capital comprises of interest free funds provided by from Head Office, Statutory reserves and retained earnings net of debit balance in profit & loss account. The book values of goodwill, intangible assets and deferred tax assets and other regulatory adjustments are deducted in arriving at CET1 capital.

Bank's Tier II capital comprises of general loan loss provisions and country risk provision which is restricted to 1.25% of total RWAs as required by RBI regulations.

(b) The details of Tier I & Tier II capital with separate disclosures of each component are as under:

The Composition of the Capital structure:

(Rs. '000)

Particulars	As at March 31, 2014
Paid up Capital (Funds from Head Office)	1,549,509
Statutory reserve	11,856
Debit Balance in Profit and Loss Account	(20,832)
Regulatory Adjustment to CET I (Deferred Tax Asset & Intangible Assets)	(10,735)
CET 1 Capital	**1,529,798**
Additional Tier 1 Capital	–
Total Tier 1 Capital	**1,529,798**
Provision for Standard assets and Country Risk (Restricted to 1.25% of Risk weighted Assets)	9,565
Tier 2 Capital	**9,565**
Total regulatory capital	**1,539,363**

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

DF-2 Capital Adequacy:

Qualitative Disclosures:

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process ensures that the Bank has adequate capital to support all the material risks and an appropriate capital cushion. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through robust risk management framework, control mechanism and an elaborate process for capital calculation and planning. The Bank has formalised and implemented a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP covers the capital management policy of the Bank and also sets the process for assessment of the adequacy of capital to support current and future projections/risks. The Bank has a structured process for the identification and evaluation of all risks that the Bank faces, which may have an adverse material impact on its financial position.

The Bank's stress testing analysis involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible ("stressed") business conditions. Typically, this relates, among other things, to the impact on the Bank's profitability and capital adequacy. Stress Tests are conducted on a quarterly basis on the Bank's on and off balance sheet exposures to test the impact of Credit, Liquidity risk and Interest Rate Risk in the Banking book (IRRBB). The stress test results are put up to the Risk Management Committee (RMC) of the Board on a quarterly basis, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

Pillar I

The Bank has adopted Standardised Approach for Credit Risk, Standardized Duration Approach for market risk and Basic Indicator Approach for Operational Risk for computing its capital requirement.

The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel III guidelines works to 90.07% as on March 31, 2014 (as against minimum regulatory requirement of 9%). The Tier I CRAR stands at 89.51% as against RBI's prescription of 6.50%. The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

Quantitative Disclosure:

The Bank's capital requirements and capital ratios as of 31 March 2014 are as follows:-

(Rs. '000)

Composition of Capital	As at 31 March 2014
1. Capital requirement for Credit Risk	
– Portfolios subject to standardized approach	110,233
– Securitisation Exposures	
2 Capital requirement for Market Risk	
(Subject to standardized duration approach)	
– Interest rate risk	5,301
– Foreign exchange risk	22,500
– Equity risk	–
3. Capital requirement for Operational Risk	15,778
(Subject to basic indicator approach)	
Total Capital Requirements at 9% (1+2+3)	153,812
Total Capital	1,539,363
Common Equity Tier I capital ratio %	89.51%
Tier I capital ratio %	89.51%
Total Capital Ratio %	90.07%

Risk Exposure and Assessment

The Bank considers the following risks as material risks it is exposed to in the normal course of its business and therefore, factors these while assessing/planning capital:

- Credit Risk
- Market Risk
- Operational Risk
- Concentration Risk
- Residual Risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book
- Strategy Risk
- Reputational Risk

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Risk Management framework

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 proper risk governance so as to facilitate on-going effective risk discovery and to efficiently set aside adequate capital to cater for the risks. Risks are managed within levels established by the group management committees, and approved by the Board and its committees. The Group has a comprehensive framework of policies and procedures for the identification, assessment, measurement, monitoring, control and reporting of risks.

The Group applies the following risk management principles:

1. Delivery of sustainable long-term growth using sound risk management principles and business practices;
2. Continual improvement of risk discovery capabilities and risk controls; and
3. Business development within a prudent, consistent and efficient risk management framework.

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.

DF-3 Credit Risk

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and Provisioning (IRAC) norms (vide RBI Master Circular dated July 1, 2013).

Credit Risk Management policy

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

Total gross credit exposure as on March 31, 2014

(Rs. '000)

Particulars	As at 31 March 2014
Fund based	2,133,843
Non fund based	259,235

Notes:

1. Fund based credit exposure excludes Balance with RBI, Balances with Banks, SLR investments, deposits placed SIDBI, Fixed and Other assets.
2. Non-fund based exposure includes Bank Guarantee exposures and Forward Contracts.

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Geographic distribution of exposure as on March 31, 2014

(Rs. '000)

Particulars	Domestic	Overseas
Fund based	2,133,843	–
Non fund based	259,235	–

Industry Type Distribution of Exposures (Gross)

(Rs. '000)

Industry Name	Fund Based Exposure	Non Fund Based Exposure
Iron and Steel	–	108,627
All Engineering	–	–
Other Textiles	–	–
Chemicals, Dyes, Paints etc	–	–
Leather and Leather Products	200,000	–
Gems and Jewellery	–	–
Construction	100,000	–
Computer Software	–	–
Infrastructure	–	–
NBFC's	1,250,000	–
Trading	–	–
Other Industries	**583,843**	**150,608**
Of which; Electricity	220,000	–
Food Confectionary	146,800	–
Logistic	15,000	–
Banks	77,579	150,608
Oil & Gas	124,464	–
Retail Advances	–	–
Total	**2,133,843**	**259,235**

Residual contractual maturity breakdown of assets

(Rs. '000)

	Cash, Balances with RBI and other Banks	Advances	Investments	Fixed Assets	Other Assets (Net)
Day 1	76,682	–	–	–	–
2 to 7 days	–	598,625	–	–	13,252
8 to 14 days	–	58,173	–	–	–
15 to 28 days	28,997	575,245	–	–	–
29 days to 3 months	8,748	392,500	–	–	–
Over 3 months to 6 months	303,952	259,000	385,849	–	6,503
Over 6 months to 12 months	4,000	250,300	663,562	–	18,915
Over 1 year to 3 years	48,868	–	150	–	1
Over 3 years to 5 years	–	–	–	–	–
Over 5 years	2,216	–	–	30,192	55,793
Total	**473,463**	**2,133,843**	**1,049,561**	**30,192**	**94,464**

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Details of Non Performing Assets:

(Rs. In '000)

Particulars		As at 31 March 2014
(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	–

DF-4 Credit Risk: Disclosures for Portfolios subject to Standardised approach

Qualitative Disclosure

The Bank has used the ratings of the following external credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes:

a) Brickwork Ratings India Pvt. Limited (Brickwork)

b) Credit Analysis and Research Limited

c) CRISIL Limited

d) ICRA Limited

e) India Ratings and Research Private Limited (India Ratings) and

f) SME Rating Agency of India Ltd (SMERA)

International credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes where specified:

a) Fitch;

b) Moody's; and

c) Standard & Poor's

The Bank has used the solicited ratings assigned by the above credit rating agencies for credit facilities provided to its customers

A description of the process used to transfer public issuer ratings onto comparable assets in the banking book:

- Bank has used short term ratings for assets with maturity upto one year and long-term ratings for assets maturing after one year as accorded by the approved external credit rating agencies.
- Bank has not cherry picked ratings. Bank has not used one rating of a CRA (Credit Rating Agency) for one exposure and another CRA's rating for another exposure on the same counterparty unless only one rating is available for a given exposure.
- If an issuer has a long term external credit rating that warrants RW (Risk Weight) of 150%, all unrated exposures on the same issuer whether long or short is assigned the same 150% RW unless mitigated by recognised Credit Risk Mitigation (CRM) techniques.
- Bank has used only solicited rating from the recognised CRAs. In case the issuer has multiple ratings from CRAs, the Bank has a policy of choosing (if there are two or more ratings) lower rating.
- No recognition of CRM technique has been taken into account in respect of a rated exposure if that has already been factored by the CRA while carrying out the rating.

Quantitative Disclosure

(Rs. In '000)

Sr. No.	Exposure amounts after risk mitigation	Fund Based	Non Fund Based
1	Below 100% risk weight exposure outstanding	2,935,600	90,305
2	100% risk weight exposure outstanding	714,357	145,099
3	More than 100% risk weight exposure outstanding	–	–
4	Deducted (represents amounts deducted from Capital funds)	10,735	–
	Total	**3,660,692**	**235,404**

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

DF-5 Credit Risk Mitigation

Qualitative Disclosures

1) **Policies and processes for and an indication of the extent to which the bank makes uses of on- and off-balance sheet netting:**

Bank makes use of on-balance sheet netting which is confined to loans/advances and deposits, where Bank has legally enforceable netting arrangements, involving specific lien with proof of documentation.

2) **Policies and processes for collateral valuation and management:**

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines.

3) The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments, also referred to as ‘haircuts’, to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

4) **Description of the main types of collateral valuation and management:**

Bank presently accepts cash (deposited with the Bank) as eligible financial collateral.

5) **Information about (market or credit) risk concentrations within the mitigation taken:**

As the Bank presently accepts cash (deposited with the Bank) as eligible financial collateral, there is no concentration risk within the mitigants.

Quantitative Disclosures

(Rs. In ‘000)

Particulars	As on March 31, 2014
Total exposure covered by eligible financial collateral after application of applicable haircuts	100,000
Total exposure covered by guarantees/credit derivatives	272,681
Total	**372,681**

DF-6 Securitisation: Disclosure for standardised approach

The Bank has not originated any securitized instruments nor has made any investments in securitised instruments issued by others.

DF-7 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 Asset Liability committee (ALCO), 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.

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Quantitative Disclosure

Rs. in '000

	As at 31 March 2014
I. Interest Rate (a+b)	**5,301**
a. General market risk	5,301
i. Net position (parallel shift)	5,301
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	**22,500**
IV. Total Capital charge for Market risks (I+II+III)	**27,801**

DF-8 Operational Risk

Qualitative Disclosure

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 2014, the Operational Risk Capital Charge for the Bank was **Rs. 15,778 ('000)** based on previous 3 year's average gross income.

DF-9 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 potential reduction in or loss of earnings (Net Interest Income) and Capital (Economic Value) 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.

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

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 2014

(Rs '000)

Particulars	Amount
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	(15,728)
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	1,203

DF-10 General disclosures for exposures related to counter party credit risk

Counterparty exposure

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank has exposure to derivative only in the form of forward foreign exchange transactions.

Credit limits for counter party credit exposure

The credit limit for counterparty Bank as well as Corporates is fixed based on their financial performance as per the latest audited financials. Various financial parameters such as NPA ratios, liquidity ratios, profitability etc as applicable are taken into consideration while assigning the limit. Credit exposure is monitored daily to ensure it does not exceed the approved credit limit.

Wrong-way risk exposure

Wrong way risk is defined as an exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. Wrong way risk arises when there is a positive expected correlation between EAD and PD to a given counterparty. There are two types of wrong-way risk, namely, specific wrong-way risk and general wrong-way risk. For general wrong way risk, the Bank would identify and report transactions that exhibit wrong way characteristics to the management and Credit Committee on a regular basis. For specific wrong way risk, generally, such transactions should be rejected at the credit approval stage. However, if for whatever reasons it is approved, the value of the credit protection bought would not be recognized.

Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

Credit exposure as on March 31, 2014

(Rs '000)

	Notional Amount	Gross Positive Fair Value of Contracts	Potential Future Exposure	Total Credit Exposure
Forward Contracts	8,934,016	47,253	178,680	225,933

Table DF-11 : Composition of Capital
Part II : Template to be used before March 31, 2017
(i.e. during the transition period of Basel III regulatory adjustments)

(Rs. in '000)

	Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Amounts Subject to Pre-Basel III Treatment	Ref No.
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium) (Funds from Head Office)	1,549,509	–	a1
2	Retained earnings	(20,832)	–	d1
3	Accumulated other comprehensive income (and other reserves)	11,856	–	a2
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–	
	Public sector capital injections grandfathered until January 1, 2018	–	–	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–	
6	Common Equity Tier 1 capital before regulatory adjustments	**1,540,533**	–	a1+d1+a2

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments		–	
8	Goodwill (net of related tax liability)		–	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	(3,541)	–	c1
10	Deferred tax assets	(7,194)	–	c2
11	Cash-flow hedge reserve		–	
12	Shortfall of provisions to expected losses		–	
13	Securitisation gain on sale		–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities		–	
15	Defined-benefit pension fund net assets		–	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)		–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		–	
22	Amount exceeding the 15% threshold	N.A		–
23	of which : significant investments in the common stock of financial entities		–	
24	of which : mortgage servicing rights		–	
25	of which : deferred tax assets arising from temporary differences		–	
26	National specific regulatory adjustments (26a+26b+26c+26d)	–	–	
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	–	–	
26b	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries	–	–	
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	–	
26d	of which : Unamortised pension funds expenditures	–	–	
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	–	
28	**Total regulatory adjustments to Common equity Tier 1**	**(10,735)**	–	c1+c2
29	**Common Equity Tier 1 capital (CET1)**	**1,529,798**	–	
Additional Tier 1 capital : instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	–	–	
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	–	–	

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	–	–	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–	–	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–	–	
35	of which : instruments issued by subsidiaries subject to phase out	–	–	
36	**Additional Tier 1 capital before regulatory adjustments**	–	–	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	–	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	–	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
41	National specific regulatory adjustments (41a+41b)	–	–	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	–	–	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	–	–	
44	**Additional Tier 1 capital (AT1)**	–	–	
44a	Additional Tier 1 capital reckoned for capital adequacy	–	–	
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	**1,529,798**	–	
Tier 2 capital : instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	–	
47	Directly issued capital instruments subject to phase out from Tier 2	–	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	–	
49	of which : instruments issued by subsidiaries subject to phase out	–	–	
50	Provisions (Please refer to Note to Template Point 50)	9,565	–	b1
51	**Tier 2 capital before regulatory adjustments**	**9,565**	–	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–	

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
56	National specific regulatory adjustments (56a+56b)	–	–	
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	–	–	
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied to Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	–	
58	**Tier 2 capital (T2)**	**9,565**	–	
58a	Tier 2 capital reckoned for capital adequacy	9,565	–	b1
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**		–	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**9,565**	–	
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**1,539,363**	–	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1,709,018**	–	
60a	of which : total credit risk weighted assets	1,224,814	–	
60b	of which : total market risk weighted assets	308,897	–	
60c	of which : total operational risk weighted assets	175,307	–	
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	89.51%	–	
62	Tier 1 (as a percentage of risk weighted assets)	89.51%	–	
63	Total capital (as a percentage of risk weighted assets)	90.07%	–	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	–	–	
65	of which : capital conservation buffer requirement	–	–	
66	of which : bank specific countercyclical buffer requirement	–	–	
67	of which : G-SIB buffer requirement	–	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	–	–	
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	–	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	–	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	–	
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities	–	–	
73	Significant investments in the common stock of financial entities	–	–	
74	Mortgage servicing rights (net of related tax liability)	N.A.	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N.A.	–	

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	–	–	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	–	–	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)				
–	Current cap on CET1 instruments subject to phase out arrangements	N.A.	–	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N.A.	–	
82	Current cap on AT1 instruments subject to phase out arrangements	–	–	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	
84	Current cap on T2 instruments subject to phase out arrangements	–	–	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–	

Note to the template

Row No. of the template	Particular	Rs. in '000
10	Deferred tax assets associated with accumulated losses	–
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	7,194
	Total as indicated in row 10	7,194
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	–
	of which : Increase in Common Equity Tier 1 capital	–
	of which : Increase in Additional Tier 1 capital	–
	of which : Increase in Tier 2 capital	–
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	–
(i)	Increase in Common Equity Tier 1 capital	
(ii)	Increase in risk weighted assets	–
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	–
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	9,565
50	Eligible Provisions included in Tier 2 capital	–
	Eligible Revaluation Reserves included in Tier 2 capital	9,565
	Total of row 50	–
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	–

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

DF-12 Composition of Capital – Reconciliation Requirements

Step 1

Rs. in '000

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No
		As at 31 March 2014	As at 31 March 2014	
A	Capital & Liabilities			
I	Paid-up Capital	1,549,509		a1
	Reserves & Surplus	11,856		
	Of which: Statutory Reserve	*11,856*		a2
	Minority Interest	NA		
	Total Capital	1,561,365		
II	Deposits	614,066		
	of which: Deposits from banks			
	of which: Customer deposits	*614,066*		
III	Borrowings	1,400,214		
	of which: From RBI			
	of which: From banks			
	of which: From other institutions & agencies			
	of which: Others (pl. specify)	*1,400,214*		
	of which: Capital instruments			
IV	Other liabilities & provisions	205,878		
	Of which: Provision for Standard Assets and Country Risk	*9,565*		b1
	Total	3,781,523		
	Assets			
I	Cash and balances with Reserve Bank of India	135,418		
	Balance with banks and money at call and short notice	338,045		
II	Investments:	1,049,561		
	of which: Government securities	*1,049,411*		
	of which: Other approved			
	securities of which: Shares			
	of which: Debentures & Bonds			
	of which: Subsidiaries/Joint Ventures/Associates			
	of which: Others (Commercial Papers, Mutual Funds etc.)	*150*		
III	Loans and advances	2,133,843		
	of which: Loans and advances to banks			
	of which: Loans and advances to customers	*2,133,843*		
IV	Fixed assets	30,192		
	Of which: Intangible (Software)	*3,541*		c1
V	Other assets	66,438		
	of which: Goodwill and intangible assets			
	of which: Deferred tax assets	*7,194*		c2
VI	Goodwill on consolidation	0		
VII	Debit balance in Profit & Loss account	20,832		d1
	Total Assets	3,781,523		

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Step 2

Rs. in '000

			Balance sheet as in published financial statements As at 31.03 2014	Under regulatory scope of consolidation As at 31.03.2014
A		**Capital & Liabilities**		
	i.	Paid-up Capital (funds from HO)	1,549,509	
		Reserves & Surplus	11,856	
		Minority Interest	–	
		Total Capital	1,561,365	
	ii.	Deposits	614,066	
		of which : Deposits from banks		
		of which : Customer deposits	614,066	
		of which : Other deposits (pl. specify)		
	iii.	Borrowings	1,400,214	
		of which : From RBI		
		of which : From banks		
		of which : From other institutions & agencies		
		of which : Others (pl. specify) **(Borrowings outside India)**	1,400,214	
		of which : Capital instruments		
	iv.	Other liabilities & provisions	205,878	
		Total	**3,781,523**	
B		**Assets**		
	i.	Cash and balances with Reserve Bank of India	135,418	
		Balance with banks and money at call and short notice	338,045	
	ii.	Investments :	1,049,561	
		of which : Government securities	1,049,411	
		of which : Other approved securities		
		of which : Shares		
		of which : Debentures & Bonds		
		of which : Subsidiaries/Joint Ventures/Associates		
		of which : Others (Commercial Papers, Mutual Funds etc.)	150	
	iii.	Loans and advances	2,133,843	
		of which : Loans and advances to banks		
		of which : Loans and advances to customers	2,133,843	
	iv.	Fixed assets	30,192	
	v.	Other assets	66,438	
		of which : Goodwill and intangible assets		
		of which : Deferred tax assets	7,194	
	vi.	Goodwill on consolidation		
	vii.	Debit balance in Profit & Loss account	20,832	
		Total Assets	**3,781,523**	

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

Step 3

Rs. in '000

	Common Equity Tier 1 capital: instruments and reserves		
		Component of regulatory capital reported by bank	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from step 2**
1	Directly issued qualifying common share (and equivalent for non- joint stock companies) capital plus related stock surplus	1,549,509	–
2	Retained earnings	(20,832)	–
3	Accumulated other comprehensive income (and other reserves)	11,856	–
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,540,533**	–
7	Prudential valuation adjustments		–
8	Goodwill (net of related tax liability)		–
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(3,541)	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(7,194)	–
11	Regulatory adjustments applied to Common Equity Tier 1 and Tier 2 to cover deductions		–
	Common Equity Tier 1 capital (CET1)	**1,529,798**	–

DF-13 Main Features of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Disclosure template for main features of regulatory capital instruments	
1.	Issuer	NA
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3.	Governing law(s) of the instrument	NA
	Regulatory treatment	
4.	Transitional Basel III rules	NA
5.	Post-transitional Basel III rules	NA
6.	Eligible at solo/group/ group & solo	NA
7.	Instrument type	NA
8.	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	NA
9.	Par value of instrument	NA
10.	Accounting classification	NA

UOB

UNITED OVERSEAS BANK LIMITED – MUMBAI BRANCH

(Incorporated in Singapore with limited liability)

11.	Original date of issuance	NA
12.	Perpetual or dated	NA
13.	Original maturity date	NA
14.	Issuer call subject to prior supervisory approval	NA
15.	Optional call date, contingent call dates and redemption amount	NA
16.	Subsequent call dates, if applicable	NA
	Coupons/dividends	NA
17.	Fixed or floating dividend/coupon	NA
18.	Coupon rate and any related index	NA
19.	Existence of a dividend stopper	NA
20.	Fully discretionary, partially discretionary or mandatory	NA
21.	Existence of step up or other incentive to redeem	NA
22.	Noncumulative or cumulative	NA
23.	Convertible or non-convertible	NA
24.	If convertible, conversion trigger(s)	NA
25.	If convertible, fully or partially	NA
26.	If convertible, conversion rate	NA
27.	If convertible, mandatory or optional conversion	NA
28.	If convertible, specify instrument type convertible into	NA
29.	If convertible, specify issuer of instrument it converts into	NA
30.	Write-down feature	NA
31.	If write-down, write-down trigger(s)	NA
32.	If write-down, full or partial	NA
33.	If write-down, permanent or temporary	NA
34.	If temporary write-down, description of write-up mechanism	NA
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to Instrument)	NA
36.	Non-compliant transitioned features	NA
37.	If yes, specify non-compliant features	NA

Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions
NA	