



AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

INDEPENDENT AUDITORS' REPORT

To The Chief Executive Officer of American Express Banking Corp. – India Branch

Report on the Financial Statements

1. We have audited the accompanying financial statements of American Express Banking Corp. – India Branch (the “Bank”), which comprise the Balance Sheet as at March 31, 2014 and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management’s Responsibility for the Financial Statements

2. The Bank’s 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 provisions of Section 29 of the Banking Regulation Act, 1949 read with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and circulars and guidelines issued by the Reserve Bank of India from time to time as applicable to banks. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors’ 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 and other applicable authoritative pronouncements 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 auditors’ 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 auditors consider internal control relevant to the Bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion .

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements together with the notes thereon give the information required by provisions of section 29 of the Banking Regulation Act, 1949 read with the Companies Act, 1956, in the manner so required and circulars and guidelines issued by the Reserve Bank of India and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2014;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

7. The financial statements of the Bank as at March 31, 2013 and for the year then ended were audited by another firm of chartered accountants who, vide their report dated June 3, 2013 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

8. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report 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.
9. As required by section 227(3) of the Companies Act, 1956 and section 30 of the Banking Regulation Act, 1949 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 purposes of our audit;
 - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;



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- c) Since the Bank has only one branch, the question on reporting the number of branches audited by us and manner of audit thereon does not arise;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent they are consistent with the accounting policies prescribed by the Reserve Bank of India;
- e) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- f) 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; and
- g) the requirements of section 274(1)(g) of the Companies Act, 1956 are not applicable to the Bank considering it is a branch of American Express Banking Corp. which is incorporated with limited liability in the United States of America.

For **Price Waterhouse**
Firm Registration Number: 012754N
Chartered Accountants

Sd/-

Sharad Vasant

Partner

Membership Number: 101119

Place : Mumbai

Date : June 9, 2014

Gurgaon

June 6, 2014



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BALANCE SHEET AS AT MARCH 31, 2014				PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014			
(Amount in Rs. '000)				(Amount in Rs. '000)			
Schedule	As on March 31, 2014	As on March 31, 2013	Schedule	Year ended March 31, 2014	Year ended March 31, 2013		
CAPITAL AND LIABILITIES			INCOME				
Capital	1	7,527,444	7,527,444	Interest Earned	13	1,054,227	885,896
Reserves and Surplus	2	76,810	76,810	Other Income	14	6,536,855	5,673,152
Deposits	3	6,880,577	6,746,788	Total		7,591,082	6,559,048
Borrowings	4	9,937,580	4,715,492	EXPENDITURE			
Other Liabilities and Provisions	5	8,338,116	6,335,234	Interest Expended	15	1,260,678	1,173,322
Total		32,760,527	25,401,768	Operating Expenses	16	6,389,109	5,699,543
ASSETS				Provisions and Contingencies	17	856,105	413,609
Cash and Balances with Reserve Bank of India	6	660,697	490,697	Total		8,505,892	7,286,474
Balances with Banks and Money at Call and Short Notice	7	882,127	269,328	PROFIT / (LOSS)			
Investments	8	5,332,740	3,909,014	Net Profit / (Loss) for the Year		(914,810)	(727,426)
Advances	9	21,229,948	17,103,192	Profit / (Loss) brought forward		(2,048,806)	(1,321,380)
Fixed Assets	10	454,127	431,947			(2,963,616)	(2,048,806)
Other Assets	11	4,200,888	3,197,590	APPROPRIATIONS			
Total		32,760,527	25,401,768	Transfer to Statutory Reserve		–	–
Contingent Liabilities	12	46,425	43,408	Transfer to Other Reserves		–	–
Bills for Collection		–	–	Transfer to Government/ proposed dividend		–	–
Significant Accounting Policies and Notes to Financial Statements	18			Balance carried over to Balance Sheet		(2,963,616)	(2,048,806)
						(2,963,616)	(2,048,806)
				Significant Accounting Policies and Notes to Financial Statements	18		

The schedules referred above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For **Price Waterhouse**
Firm Registration Number 012754N
Chartered Accountants

Sd/-
Sharad Vasant
Partner
Membership No. 101119

Place: Mumbai
Date: June 9, 2014

The schedules referred above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For and on behalf of
American Express Banking Corp.- India Branch

Sd/-
Manoj Adlakha
Interim Chief Executive Officer

Sd/-
Neeshant Upadhya
Financial Controller

Place: Gurgaon
Date: June 6, 2014



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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(Amount in Rs. '000)

	Year ended March 31, 2014	Year ended March 31, 2013
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Cash Flow from Operating activities

Net profit/(loss) before taxes	(596,304)	(879,939)
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Adjustments for :

Provision for doubtful advances and receivables	(25,951)	82,929
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Depreciation on assets	167,576	160,704
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Net (profit)/loss on sale of land, building and other assets	(4,342)	(4,077)
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<i>Operating profit before working capital changes</i>	<i>(459,021)</i>	<i>(640,383)</i>
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(Increase)/decrease in investments	(1,423,726)	(496,595)
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(Increase)/decrease in advances	(4,084,617)	(2,430,381)
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Increase/(decrease) in deposits	133,789	1,733,627
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(Increase)/decrease in other assets	(406,259)	(305,712)
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Increase/(decrease) in other liabilities and provisions	1,986,577	1,883,940
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(Total taxes paid)/Refund received [net]	(618)	(588)
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A Net Cash Flow from/(used in) operating activities	<u>(4,253,875)</u>	<u>(256,092)</u>
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Cash Flow from Investing activities

Fixed assets purchased	(222,402)	(233,387)
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Proceeds from sale of fixed assets	36,988	26,650
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B Net Cash Flow from/(used in) Investing activities	<u>(185,414)</u>	<u>(206,737)</u>
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Cash Flow from Financing activities

Infusion of capital	-	1,350,250
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Short Term borrowings	3,972,088	(917,258)
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Subordinate Debt	1,250,000	-
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Long term borrowing	-	-
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C Net Cash Flow from Financing activities	<u>5,222,088</u>	<u>432,992</u>
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Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	<u>782,799</u>	<u>(29,837)</u>
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Cash and cash equivalents at beginning of year	760,025	789,862
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Cash and cash equivalents at end of year	1,542,824	760,025
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Increase/(decrease) in cash and cash equivalents	<u>782,799</u>	<u>(29,837)</u>
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Notes to the Cash Flow Statement

1. Cash and cash equivalents represents cash and balances with banks as disclosed in Schedule 6 and 7

2. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our Report of even date.

For **Price Waterhouse**
Firm Registration Number 012754N
Chartered Accountants

Sd/-
Sharad Vasant
Partner
Membership No. 101119

For and on behalf of
American Express Banking Corp.- India Branch

Sd/-
Manoj Adlakha
Interim Chief Executive Officer

Sd/-
Neesant Upadhya
Financial Controller

Place: Mumbai
Date: June 9, 2014

Place: Gurgaon
Date: June 6, 2014



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SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(Amount in Rs. '000)			(Amount in Rs. '000)		
	As on March 31, 2014	As on March 31, 2013		As on March 31, 2014	As on March 31, 2013
SCHEDULE 1 – CAPITAL			SCHEDULE 4 – BORROWINGS		
Amount of deposit kept with RBI under section 11 (2) of the Banking Regulation Act, 1949 as per contra.	78,810	78,810	I. BORROWINGS IN INDIA		
	<u>78,810</u>	<u>78,810</u>	Reserve Bank of India	–	–
HEAD OFFICE ACCOUNT			Other banks	8,687,580	4,715,492
Opening balance	7,527,444	6,177,194	Other institutions and agencies	–	–
Additions during the year	–	1,350,250	II. BORROWINGS OUTSIDE INDIA		
Closing balance	<u>7,527,444</u>	<u>7,527,444</u>	[Refer Notes: Sch 18 IV. 1. b)]	<u>1,250,000</u>	–
				<u>9,937,580</u>	<u>4,715,492</u>
			Secured borrowings included in I and II above	Nil	Nil
SCHEDULE 2 – RESERVES AND SURPLUS			SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. STATUTORY RESERVES			I. Bills payable	–	–
Opening balance	76,810	76,810	II. Inter-office adjustments (net)	–	–
Additions during the year	–	–	III. Interest accrued	181,043	170,881
Closing balance	<u>76,810</u>	<u>76,810</u>	IV. Others (including provisions)	8,157,073	6,164,353
II. CAPITAL RESERVES				<u>8,338,116</u>	<u>6,335,234</u>
Opening balance	–	–	SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Additions during the year	–	–	I. Cash in hand (including foreign currency notes)	–	–
Closing balance	–	–	II. Balances with Reserve Bank of India		
III. SHARE PREMIUM			i) In current account	660,697	490,697
Opening balance	–	–	ii) In other accounts	–	–
Additions during the year	–	–		<u>660,697</u>	<u>490,697</u>
Closing balance	–	–	SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
IV. REVENUE AND OTHER RESERVES			I. In India		
Opening balance	–	–	Balances with banks		
Additions during the year	–	–	i) In Current Accounts	882,127	269,328
Closing balance	–	–	ii) In Other Deposit Accounts	–	–
V. Balance of Profit and Loss Account	–	–	Money at call and short notice		
	<u>76,810</u>	<u>76,810</u>	i) With banks	–	–
			ii) With other institutions	–	–
SCHEDULE 3 - DEPOSITS				<u>882,127</u>	<u>269,328</u>
A. In India			II. Outside India		
I. DEMAND DEPOSITS			i) In Current Accounts	–	–
From banks	–	–	ii) In Other Deposit Accounts	–	–
From others	–	–	iii) Money at call and short notice	–	–
II. SAVINGS BANK DEPOSITS	–	–		–	–
III. TERM DEPOSITS				<u>882,127</u>	<u>269,328</u>
From banks	–	–			
From others (Institutional)	6,880,577	6,746,788			
	<u>6,880,577</u>	<u>6,746,788</u>			
B. (i) Deposits of branches in India	6,880,577	6,746,788			
(ii) Deposits of branches outside India	–	–			
	<u>6,880,577</u>	<u>6,746,788</u>		<u>882,127</u>	<u>269,328</u>



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(Amount in Rs. '000)			(Amount in Rs. '000)		
	As on March 31, 2014	As on March 31, 2013		As on March 31, 2014	As on March 31, 2013
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 – FIXED ASSETS		
I. Investment in India in			I. PREMISES		
i) Government Securities (Treasury Bill)	5,332,740	3,909,014	At cost as on 31 March of the preceding year	–	–
ii) Other approved securities	–	–	Additions during the year	–	–
iii) Shares	–	–	Deductions during the year	–	–
iv) Debentures and Bonds	–	–	Depreciation to date	–	–
v) Subsidiaries and/or joint ventures	–	–	Total Net Book Value I	–	–
vi) Others	–	–			
	5,332,740	3,909,014	II. OTHER FIXED ASSETS (Including Furniture & Fixtures)		
II. Investment outside India in			At cost as on March 31 of the preceding year	1,577,531	1,395,501
i) Government Securities (including local authorities)	–	–	Additions during the year	222,402	233,387
ii) Subsidiaries and/or joint ventures abroad	–	–	Deductions during the year	(77,338)	(51,357)
iii) Others	–	–		<u>1,722,594</u>	<u>1,577,531</u>
	5,332,740	3,909,014	Depreciation to date	(1,268,467)	(1,145,584)
			Total Net Book Value II	<u>454,127</u>	<u>431,947</u>
SCHEDULE 9 – ADVANCES			Net Book Value I and II	454,127	431,947
A. i) Bills purchased and discounted	–	–	SCHEDULE 11 - OTHER ASSETS		
ii) Cash credits, overdraft and loan repayable on demand #	21,228,739	17,101,455	I. Inter-office adjustments (net)	–	–
iii) Term loans - Staff	1,209	1,737	II. Interest accrued	35,560	25,955
	21,229,948	17,103,192	III. Tax paid in advance/ tax deducted at source	5,045	4,828
B. i) Secured by tangible assets	1,171	1,658	IV. Stationery and Stamps	–	–
ii) Covered by bank/ governments guarantees	–	–	V. Non-banking assets acquired in satisfaction of claims	–	–
iii) Unsecured	21,228,777	17,101,534	VI. Deferred tax asset	–	317,770
	21,229,948	17,103,192	VII. Others (Including Debit Balance in Profit and Loss Account Rs.2,963,616 ('000) - Previous year Rs.2,048,806 ('000))	4,160,283	2,849,037
C. I. Advances in India				4,200,888	3,197,590
i) Priority sector *	–	–	SCHEDULE 12 - CONTINGENT LIABILITIES		
ii) Public sector	–	–	I. Claims against the bank not acknowledged as debts	46,425	43,408
iii) Banks	–	–	II. Liability for partly paid investments	–	–
iv) Others	21,229,948	17,103,192	III. Liability on account of outstanding forward exchange contracts	–	–
	21,229,948	17,103,192	IV. Guarantees given on behalf of constituents		
II. Advances Outside India			a) In India	–	–
i) Due from banks	–	–	b) Outside India	–	–
ii) Due from others			V. Acceptances, endorsements and other obligations	–	–
(a) Bills purchased and discounted	–	–	VI. Other items for which the bank is contingently liable	–	–
(b) Syndicated loans	–	–		46,425	43,408
(c) Others	–	–			
	21,229,948	17,103,192			

* Not applicable to the Bank vide RBI letter no. RPCD. CO.Plan.11642/04.09.09/2008-09 dated 11/05/2009

Card Member Credit Balances amounting to Rs. 413,468 ('000) re-classed to Other Liabilities commencing year 2013-14



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SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(Amount in Rs. '000)			(Amount in Rs. '000)		
	Year ended March 31, 2014	Year ended March 31, 2013		Year ended March 31, 2014	Year ended March 31, 2013
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 16 – OPERATING EXPENSES		
Interest/discount on advances/bills	723,457	599,106	Payments to and provisions for employees	1,238,807	1,081,438
Income on investments	330,770	286,790	Rent, taxes and lighting	181,536	159,493
Interest on balances with the Reserve Bank of India and other inter-bank funds	–	–	Printing and stationery	82,028	44,342
Others	–	–	Advertisement and publicity	1,729,266	1,404,977
	<u>1,054,227</u>	<u>885,896</u>	Depreciation on Bank's property	167,576	160,704
SCHEDULE 14 – OTHER INCOME			Director's fee, allowances and expenses	–	–
Commission, exchange and brokerage (net)	5,978,560	5,122,164	Auditors' fees and expenses	3,400	3,300
Net Profit/(Loss) on sale of investments	–	–	Law charges	22,488	6,642
Net Profit/(Loss) on revaluation of investments	–	–	Postage, telegram, telephones etc.	144,768	131,734
Profit on sale of land, building and other assets	7,145	6,573	Repairs and maintenance	153,393	111,766
Less: Loss on sale of land, building and other assets	(2,803)	(2,496)	Insurance	8,761	7,779
Net profit on exchange transactions	–	–	Business Support Cost	1,856,690	1,916,420
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	–	–	Other expenditure	800,396	670,948
Miscellaneous Income	553,953	546,911		<u>6,389,109</u>	<u>5,699,543</u>
	<u>6,536,855</u>	<u>5,673,152</u>	SCHEDULE 17 – PROVISIONS AND CONTINGENCIES		
SCHEDULE 15 – INTEREST EXPENDED			Depreciation in the value of securities	–	–
Interest on deposits	545,886	519,023	Provision for doubtful advances and receivables	537,599	566,122
Interest on Reserve Bank of India/ interbank borrowings	714,792	654,299	Provision for income tax and wealth tax :		
Others	–	–	Wealth Tax	736	400
	<u>1,260,678</u>	<u>1,173,322</u>	Fringe Benefit Tax	–	–
			Deferred Income Tax [Refer Notes: Sch18 IV. 2.]	317,770	(152,913)
				<u>856,105</u>	<u>413,609</u>

SCHEDULE – 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

- I. The financial statements for the year ended March 31, 2014 comprises the Balance Sheet, Profit & Loss Account, Cash Flow Statement and Schedules of the India Branch of American Express Banking Corp. (the "Bank"), which is incorporated in the New York State Banking Law, United States of America. The Bank's ultimate holding company is American Express Company, which is incorporated in the United States of America.
- II. **Background:** American Express Banking Corp. has been granted licence by Reserve Bank of India ('RBI') to carry on banking business in India. The licence authorises the Bank to conduct credit card business (including prepaid cards), distribute traveller cheques and accept institutional deposits. In line with the market practice and the RBI Guidelines, the bank issues credit cards, prepaid cards and provides payment solutions to corporates and other entities for their purchases like inventory, fixed assets, payroll cost and other expenses like office supplies, utilities, advertising, couriers, etc. During the year, the nature of these corporate payment solutions have been appraised to the RBI vide letter dated June 6, 2013.
- III. **Significant Accounting Policies**
 1. **Basis of preparation:** The financial statements are prepared under the historical cost convention on the accrual basis of accounting,



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SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

except where otherwise stated and comply with Generally Accepted Accounting Principles (GAAP) in India, statutory requirements prescribed under The Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards (AS) notified by the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

Pursuant to the circular 15/2013 dated September 15, 2013 read with circular 08/2014 dated April 4, 2014, till the Standards of Accounting or any addendum thereto are prescribed by the Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply.

2. **Use of Estimates:** The preparation of financial statements, in conformity with the generally accepted accounting principles, requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates and these differences are recognized prospectively in the current and future periods.
3. **Revenue Recognition**
 - (i) Fees and commissions received, net of rebates/commissions paid, are recognized upon the occurrence of the transactions. Annual fees on cards are amortized over the period of one year.
 - (ii) Interest income is recognised as it accrues, except in the case of non-performing assets, where it is recognised on realisation, as per the prudential norms prescribed by RBI.
 - (iii) Income from cheque bounce charges and delayed charges are recognised when the ultimate collection is no longer uncertain.
 - (iv) Interest income on discounted instruments is recognised over the tenure of the instruments.
4. **Foreign Currency transactions and balances**

Transactions denominated in foreign currencies are recorded on the date of transactions at the standard exchange rate determined by the Bank. Exchange differences arising on the foreign currency transactions settled during the year are recognised in the Profit and Loss Account of the year.

Monetary Assets and Liabilities denominated in foreign currencies as at the Balance Sheet date are restated at the closing rates notified by Foreign Exchange Dealers' Association of India (FEDAI) and the resultant exchange differences are recognised in the Profit and Loss Account.
5. **Investments**
 - (i) **Classification**

In accordance with Reserve Bank of India ('RBI') guidelines, all investments are categorised as 'Held to Maturity', or 'Held for Trading' or 'Available for Sale'.

Investments that the Bank intends to hold to maturity are classified as 'Held to Maturity'. Investments that are held principally for resale within ninety days from the date of purchase are classified as 'Held for Trading'. All other investments are classified as 'Available for Sale'. An Investment is classified as 'Held to Maturity', 'Available for Sale' or 'Held for Trading' at the time of its purchase.
 - (ii) **Valuation**

Treasury Bills, being discounted instruments are valued at carrying cost.
 - (iii) Brokerage, commission, etc., paid at the time of acquisition of securities are charged to Profit and Loss account.
6. **Advances**

Loans and Advances comprises card outstanding and loans to staff. Loans and Advances are stated net of specific provision made towards Non-Performing Assets (NPAs) and unrealised income from non performing assets. Advances under card receivables are maintained at the card member level.

Provision for NPAs on card balances outstanding is made at card member level in compliance with the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by the Reserve Bank of India and are monitored and tracked at a portfolio level.

Provision for Standard Assets is made in compliance with the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by the Reserve Bank of India and disclosed under Other Liabilities and Provisions.

The Bank identifies all card accounts with delinquencies and writes off in the books of account, the outstanding card receivables which are 180 days past due from the due date. In addition, accelerated write off is effected where it is evident that the outstanding is unlikely to be recovered.

Receivables from overseas group entities on account of card payments made in India have been classified under Other Assets in the Financial Statements.



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INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

7. Fixed assets and depreciation

- (i) Fixed assets are stated at cost less accumulated depreciation. The Bank capitalizes all costs relating to acquisition and installation of fixed assets. However, fixed assets costing less than Rs.5,000/- are expensed out. All assets costing upto Rs.10,000 are fully depreciated in the year of purchase.
- (ii) Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the Profit and Loss Account whenever the carrying amount exceeds the recoverable amount.
- (iii) Depreciation on fixed assets is provided on pro-rata basis over the period of the estimated useful life of the asset on Straight Line Method, subject to the minimum rate of depreciation prescribed in Schedule XIV to the Companies Act, 1956.
- (iv) The fixed assets are depreciated as per the rates given in the table below:

<u>Asset</u>	<u>Depreciation rate</u>
Leasehold Improvements	Over the lease period
Data Processing Equipments	33.33%
Transport Equipments	33.33%
Furniture and Fixtures	12.50%
Machinery and Equipments (Other than headsets and mobile phones)	12.50%
Headsets and Mobile Phones	33.33%

8. Accounting for Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating lease. Lease payments for assets taken on operating leases are recognized as an expense in the Profit and Loss Account over the lease term on a straight line basis.

9. Employee Benefits

a) Provident fund

The Bank contributes to mandatory government administered provident funds which are defined contribution schemes as the Bank does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

b) Pension

(i) The Bank has a pension scheme, which is a defined contribution plan. Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan to the pension fund. Contributions under these schemes are recognised in the Profit and Loss Account in the period in which they accrue.

In addition to the above arrangement, there are deferred (exited) employees, who had opted for the defined benefit scheme.

(ii) The Bank has set up a Pension Trust viz. American Express Banking Corp. India Staff Superannuation Fund to manage the contributions to the pension fund. The Bank provides for its pension liability based on actuarial valuation of the pension liability, based on Projected Unit Credit Method, as at the Balance Sheet date carried out by an independent actuary and contributes to the pension fund. The contributions made to the Trust are recognised as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognised in the Balance Sheet. Actuarial gains and losses are recognised in the Profit and Loss Account in the year in which they arise.

c) Gratuity

The Bank has set up a Gratuity Trust viz. American Express Banking Corp. India Employees Gratuity Fund to manage the contributions to the gratuity fund. The Bank provides for its gratuity liability based on actuarial valuation of the gratuity liability as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an independent actuary and contributes to the gratuity fund. The contributions made to the Trust are recognised as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognised in the Balance Sheet. Actuarial gains and losses are recognised in the Profit and Loss Account in the year in which they arise.

d) Leave encashment

The Bank provides for leave encashment liability, which is payable on separation or termination of service. The liability for leave encashment, which is a defined benefit scheme, is provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an independent actuary.

10. Income Taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the year.



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Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

In case there are carry forward tax losses, the Deferred Tax Asset is recognized on all items of deferred tax asset only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

11. Membership Reward Points

The Membership Reward programme is a card-based rewards programme through which eligible card members can earn points for purchases charged on the Bank's card products. Membership Rewards points can be redeemed for a broad variety of rewards. The Bank establishes balance sheet provisions, that represent the estimated cost of points earned to date that are ultimately expected to be redeemed, based on the management's judgement and shown as a part of Other Liabilities and Provisions. The cost of Membership Reward Points is included as part of Advertisement and Publicity Expense.

12. Accounting for Provision, Contingent Liabilities and Contingent Assets

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 of the amount of the obligation can be made.

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. 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.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

Contingent assets are not recognized in the financial statements.

13. Segment Reporting

The Bank has recognised Banking Operations and Treasury operations, as the primary reporting Business Segments, in accordance with the RBI guidelines on compliance with Accounting Standard – 17 issued by Institute of Chartered Accountants of India.

Treasury activities include the Investments and balance in bank account to meet the Statutory Liquidity Ratio (SLR) requirement and maintenance of Cash Balances to meet the Cash Reserve Ratio (CRR) requirement and the corresponding funding to meet these requirements. The interest income and interest expenses related to these activities comprise the revenue and expense of this segment.

Banking Operations include card operations, travellers' cheque distribution and institutional deposits. Interest income and expense (other than those identified with the Treasury Operations), other identified income and operating expenses are reckoned in the operating results of this segment.

14. Cash And Cash Equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks and other fixed deposits with bank with original maturities of three months or less.

15. 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 in accordance with Accounting Standard – 28, Impairment of Assets. The carrying amount is reduced to the recoverable amount and reduction is recognised as an impairment loss in the Profit and Loss Account.

IV. NOTES TO FINANCIAL STATEMENTS

1. Statutory Disclosures as per RBI norms:

a) Capital Adequacy Ratio

In terms of the extant RBI guidelines on Basel III Capital Regulations, as of March 31, 2014, the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) of 9 percent. Further, within this overall capital requirement, the Bank is also required to maintain a Minimum Common Equity Tier 1 of 5% and Minimum Tier 1 Capital of 6.5%. The Bank's Capital Adequacy Ratio, calculated as per the Basel III Capital Regulations is provided here under. However, as these regulations have become applicable only with effect from the current Financial Year, the corresponding data for the previous year is not being provided.



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Particulars	2013-14
Common Equity Tier 1 capital ratio (%)	12.67%
Tier I Capital Ratio (%)	12.67%
Tier II Capital Ratio (%)	3.89%
Total Capital ratio (CRAR) (%)	16.56%
Percentage of the shareholding of the Government of India in public sector banks	–
Amount of equity capital raised	–
Amount of additional Tier 1 capital raised	–
Amount of additional Tier 2 capital raised of which -	
– Debt Capital instrument: (Amount in Rs. '000)	1,250,000
– Preference Share Capital Instruments	–

The Bank's Capital Adequacy Ratios as per the Basel II guidelines for the previous year are as under

Particulars	2012-13
CRAR - Tier I Capital	17.61%
CRAR - Tier II Capital	0.56%
CRAR - Total Capital	18.17%
Amount of subordinated debt raised as Tier II Capital	–
Amount raised by issue of IPDI	–
Amount raised by issue of Upper Tier II Instruments	–

b) Subordinated Debt:

Schedule 4 – Borrowings includes an amount of Rs. 1,250,000 thousands (Previous Year – NIL) pertaining to subordinated debt raised from Head Office. Details of the Head Office borrowings is as under –

(Amount Rs. in '000)

Particulars	2013-14	2012-13
Date of Borrowing	1-Nov-2013	–
Rate of Interest	Interest Free	–
Amount (in Rs. '000)	1,250,000	–
Date of Repayment	1-Nov-2023	–
Call Option with the Bank	After completion of 5 years from the Issuance date (1-November-2018), with a prior notice of 120 days to the Lender. The Bank has decided to exercise the option only after 30-June-2020.	–

c) Business/Information Ratios:

	Particulars	2013-14	2012-13
a.	Interest income as a percentage to working funds (%)	3.99	3.94
b.	Non-interest income as a percentage to working funds (%)	24.71	24.77
c.	Operating profit as a percentage to working funds (%)	(0.24)	(1.41)
d.	Return on assets (%)	(3.46)	(3.23)
e.	Business (deposits plus advances) per employee(Amount in Rs. '000)	33,282	33,030
f.	Profit per employee (Amount in Rs. '000)	(1,212)	(1,123)

Definitions:

- Working funds is the average of total assets during the year as per the returns submitted to RBI.
- Operating profit = (Interest income + other income – interest expenses – operating expenses – amortization of premia on investments – profit / (loss) on sale of fixed assets).
- “Business” is the total of advances and deposits (net of inter bank deposits).
- Productivity ratios are based on number of employees at year end.



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d) Asset Liability Management - Maturity Pattern

Classification of assets and liabilities under the different maturity buckets are based on the estimates and assumptions used by the Bank. These estimates and assumptions are based on the guidelines on Asset Liability Management issued by Reserve Bank of India.

(Amount in Rs. '000)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 12 months	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits -											
Current Year	–	200,000	–	728,500	1,619,160	2,646,322	1,684,595	2,000	–	–	6,880,577
Previous Year	–	250,000	152,249	327,000	1,718,065	2,410,573	1,888,901	–	–	–	6,746,788
Advances -											
Current Year	595,393	3,572,349	4,167,741	8,335,482	2,626,951	637,041	563,330	619,976	110,476	1,209	21,229,948
Previous Year	473,805	2,842,831	3,316,636	6,633,272	2,404,524	181,967	497,077	432,044	319,301	1,735	17,103,192
Investments -											
Current Year	244,458	701,848	593,145	796,823	948,041	1,222,401	281,516	222,843	288,842	32,823	5,332,740
Previous Year	79,972	662,171	389,383	652,460	577,248	915,741	336,647	187,508	4,698	103,186	3,909,014
Borrowings -											
Current Year	4,900	150,000	200,000	3,300,000	1,650,001	3,382,680	–	–	–	1,250,000	9,937,580
Previous Year	323,824	380,000	270,000	470,000	3,271,668	–	–	–	–	–	4,715,492
Foreign Currency Assets -											
Current Year	639,285	–	45,349	260,344	153,747	–	–	–	–	–	1,098,725
Previous Year	128,385	68,500	17,637	106,994	73,655	–	–	–	–	–	395,171
Foreign Currency Liabilities -											
Current Year	–	134,382	–	548,876	590,774	–	–	592	–	1,250,000	2,524,624
Previous Year	–	–	11,651	450,226	–	144,574	–	1,087	–	–	607,538

Maturity Pattern of Assets and Liabilities has been compiled by the Management and relied upon by the auditors.

e) Provisions and Contingencies : Break-up of Provisions and Contingencies shown under Schedule 17.

(Amount in Rs. '000)

Particulars	2013-2014	2012-2013
Provision for depreciation on Investment	–	–
Provision towards Non Performing Assets*	(42,138)	68,252
Provision towards Standard Assets	17,342	8,874
Write-offs	728,094	586,981
Recoveries	(179,005)	(117,838)
Others	13,306	19,853
Provision made towards Income tax and Wealth Tax and Deferred Tax	318,506	(152,513)
TOTAL	856,105	413,609

* Please refer note on NPA methodology under Note IV 1 (g) below.

f) Investments

(Amount in Rs. '000)

Value of Investments	2013-2014	2012-2013
Gross value of Investments		
In India	5,332,740	3,909,014
Outside India	–	–
Provision for depreciation		
In India	–	–
Outside India	–	–
Net value of investment		
In India	5,332,740	3,909,014
Outside India	–	–



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

g) Asset Quality - Non-performing assets ('NPAs')

Non-Performing Assets (NPAs)

(Amount in Rs. '000)

Particulars	2013-2014	2012-2013
(i) Net NPAs to Net Advances (%)	0.52%	1.87%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	446,115	234,247
(b) Additions during the year	1,719,674	681,011
(c) Reductions during the year	1,970,636	469,143
(d) Closing balance	195,153	446,115
(iii) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	126,814	58,562
(b) Additions during the year	465,806	68,252
(c) Reductions during the year	507,945	-
(d) Closing balance	84,675	126,814
(iv) Movement of Net NPAs		
(a) Opening balance	319,301	175,685
(b) Additions during the year	1,253,868	143,616
(c) Reductions during the year	1,462,691	
(d) Closing balance	110,478	319,301

During the year 2013-2014, the Bank has prospectively developed a process to identify movement of NPAs. Accordingly, the Additions, Up-gradations, Recoveries and Write-offs is computed at each month-end; being the difference between the opening and closing balance of NPAs.

For 2012-2013 : Write-offs is net of recoveries. Additions to NPAs is the balancing figure, being the difference between closing balance and opening balance and write-offs.

h) Category-wise NPAs (funded)

(Amount in Rs. '000)

Non-performing asset category	2013-14		2012-13	
	Gross NPAs	Provisions	Gross NPAs	Provisions
Sub standard	147,303	36,825	425,735	106,434
Doubtful	-	-	-	-
Loss	47,850	47,850	20,380	20,380
Total	195,153	84,675	446,115	126,814

i) Single Borrower Limit (SBL) and Group Borrower Limits (GBL) :

During the year, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by Reserve Bank of India.

j) Disclosure of complaints:

Customer complaints

	Particulars	2013-14	2012-13
1	No. of complaints pending at the beginning of the year	342	56
2	No. of complaints received during the year	10,923	6,542
3	No. of complaints redressed during the year	10,930	6,256
4	No. of complaints pending at the end of the year	335	342



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k) Concentration of Deposits, Advances, Exposures and NPAs :

Concentration of Deposits

(Amount in Rs. '000)

	Particulars	2013-14	2012-13
1	Total Deposits of twenty largest depositors	6,842,414	6,746,788
2	Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	99.45%	100.00%

Concentration of Advances

(Amount in Rs. '000)

	Particulars	2013-14	2012-13
1	Total Advances of twenty largest borrowers	4,560,435	3,419,570
2	Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	21.40%	19.85%

Concentration of Exposures

(Amount in Rs. '000)

	Particulars	2013-14	2012-13
1	Total Exposure to twenty largest borrowers / customers	4,560,435	3,419,570
2	Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	21.40%	19.85%

Concentration of NPAs

(Amount in Rs. '000)

	Particulars	2013-14	2012-13
1	Total Exposure to top four NPA accounts	71,237	112,068

l) Sector-wise NPAs

S. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		2013-14	2012-13
1	Agriculture and allied activities	–	–
2	Industry (Micro & small, Medium and Large)	–	–
3	Services	–	–
4	Personal Loans	0.92%	2.59%

m) Movement of NPAs

(Amount in Rs. '000)

S. No	Particulars	2013-14	2012-13*
1	Gross NPAs – Opening Balance	446,115	234,247
2	Additions – Fresh NPAs during the year	1,719,674	681,011
3	Sub-Total [A] (1 + 2)	2,165,789	915,258
4	Less:		
	i. Upgradations	1,130,339	–
	ii. Recoveries	312,721	
	iii. Write-offs	527,576	469,143
	Sub-Total [B]	1,970,636	469,143
5	Gross NPAs – Closing Balance	195,153	446,115

During the year 2013-2014, the Bank has prospectively developed a process to identify movement of NPAs. Accordingly, the Additions, Up-gradations, Recoveries and Write-offs is computed at each month-end; being the difference between the opening and closing balance of NPAs.

* For 2012-2013: Write-offs is net of recoveries. Additions to NPAs is the balancing figure, being the difference between closing balance and opening balance and write-offs.



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n) Provisioning Coverage Ratio (PCR)

In terms of the RBI guidelines, the Bank's Provisioning Coverage Ratio as of September 30, 2010 was 82.88%. The provisioning coverage ratio of the Bank with regard to the NPAs as on March 31, 2014 computed as per the RBI guidelines was 88.74% (March 31, 2013 – 48.26%).

o) The Bank has no disclosure to make in respect of the following items as the relevant items are either Nil or Not Applicable.

(i) Investments :	Repo Transactions. Non-SLR Investment Portfolio. Non-performing Non-SLR Investments. Movement of provisions held towards depreciation in Investments. Sale and transfers to / from HTM category. Investments in Associates
(ii) Derivatives :	Forward Rate Agreements / Interest Rate Swaps. Exchange Traded Interest Rate Derivatives. Disclosure on risk exposure in derivatives. Credit Default Swaps.
(iii) Asset Quality :	Particulars of Accounts Restructured. Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction. Details of non-performing financial assets purchased / sold. Unsecured Advances: Assets for which intangible securities have been taken as collateral Provision for restructured Loans / Assets
(iv) Exposures :	Exposure to Real Estate Sector. Exposure to Capital Market. Risk Category wise Country Exposure. Receivables and payables from overseas group entities are not treated as exposures for the purpose of country risk exposure.
(v) Awards passed by the Banking Ombudsman.	
(vi) Letter of Comforts issued by the Bank.	
(vii) Overseas Assets, NPAs and Revenue.	
(viii) Off-Balance Sheet SPVs sponsored.	
(ix) Disclosure relating to securitisation.	
(x) Draw down from Reserves.	
(xi) Penalties imposed by Reserve Bank of India.	
(xii) Exposure to NBFCs.	
(xiii) Discontinuing Operations.	
(xiv) Unamortised Pension and Gratuity Liabilities.	
(xv) Consolidated Financial Statements.	
(xvi) Earnings per share	

2. Deferred Taxes

As of March 31, 2013 the Bank had a net Deferred Tax Assets (DTA) of Rs.317,770 thousand which was included under Other Assets. DTA for timing differences was recognised subject to the consideration of prudence and carried forward only to the extent that there was a reasonable certainty that sufficient future taxable income will be available against which such DTA can be realised. Further, DTA on carried forward unabsorbed tax losses were not recognised. The major components giving rise to the deferred tax assets and liabilities in the Table below.



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As of March 31, 2014, in view of the losses in the current year and the immediate past periods, the Bank has reviewed the above position. Though profits were projected to accrue from the Financial Year 2015-2016 as per the Business Plans, in terms of the guidelines provided under Accounting Standard 22 for recognition of DTA, it is not tenable to state with virtual certainty supported by convincing evidence that sufficient taxable income would accrue in the immediate future. Hence, as a matter of prudence, the Bank has decided not to recognise DTA as on March 31, 2014.

(Amount in Rs. '000)

Particulars	2013-14	2012-13
Deferred Tax Assets		
– On depreciation on fixed assets	–	75,779
– On provision for doubtful advances	–	162,005
– On provision for other contingencies	–	26,126
– On provision for employee benefits	–	53,860
Deferred Tax Liabilities	–	–
Net Deferred Tax Assets	–	317,770

3. Segment Reporting

The summary of the segmental information of the Bank for the Year ended 31st March, 2014 are given below –

(Amount in Rs. '000)

Segmentation	Banking Operations		Treasury		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Segment revenue	7,260,312	6,272,258	330,770	286,790	7,591,082	6,559,048
Segment result	(455,841)	(879,939)	(140,463)	–	(596,304)	(879,939)
Operating Profits/(Loss)	–	–	–	–	(596,304)	(879,939)
Income taxes	–	–	–	–	318,506	(152,513)
Extraordinary profit / (loss)	–	–	–	–	–	–
Net profit (loss)					(914,810)	(727,426)
Other information :						
Segment assets	26,661,098	20,650,556	6,094,384	4,428,614	32,755,482	25,079,170
Unallocated assets						
(Taxes)	–	–	–	–	5,045	322,598
Total assets	26,661,098	20,650,556	6,094,384	4,428,614	32,760,527	25,401,768
Segment liabilities	26,666,143	20,973,154	6,094,384	4,428,614	32,760,527	25,401,768
Unallocated liabilities						
(Taxes)	–	–	–	–	–	–
Total liability	26,666,143	20,973,154	6,094,384	4,428,614	32,760,527	25,401,768
Cost to acquire fixed assets						
	222,402	233,387	–	–	222,402	233,387
Depreciation	167,576	160,704	–	–	167,576	160,704

The Bank does not have any overseas operations and hence there is no geographical segment reporting.

4. Related Party Disclosures

In the terms of the Accounting Standard 18 on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India and the related guideline issued by the RBI, the details pertaining to related parties are as under:



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Related party relationship:

Sr. No.	Relationship	Party Name
1.	Parent - Head Office	American Express Banking Corp., New York.
2.	Ultimate Holding Company	American Express Company.
3.	Subsidiaries of Ultimate Holding Company	American Express (India) Pvt Ltd. American Express Services India Limited. American Express Foreign Exchange Services India Limited. American Express International Inc. Amex Bank Of Canada American Express Australia Ltd American Express Prepaid Card Management Corporation American Express Travel Related Services Company Inc. American Express Limited American Express Advanced Services Europe Limited American Express (Thai) Co., Ltd. American Express Europe Limited American Express (Malaysia) Sdn. Bhd. Loyalty Solutions and Research Pvt Ltd
4.	Subsidiaries/ Associates/ Joint Ventures	–
5.	Key Management Personnel **	Manoj Adlaka as Interim Chief Executive Officer (w.e.f. 13 May 2014). Shailesh Baidwan as Chief Executive Officer (Upto 06 May 2014).

The related party balances and transactions for the year ended March 31, 2014 are summarized as follows:

(Amount in Rs. '000)

Particulars	Related Party	Parent – Head Office		Subsidiaries of Head Office / Parent Co.	
		2013-14	2012-13	2013-14	2012-13
Borrowings	American Express Banking Corp, New York	1,250,000	–	–	–
Borrowings Total		1,250,000	–	–	–
Maximum Outstanding	American Express Banking Corp, New York	1,250,000	–	–	–
Deposits	American Express India Pvt Ltd.	–	–	6,660,000	6,650,000
	Others	–	–	27,000	27,000
Deposits Total		–	–	6,687,000	6,677,000
Maximum Outstanding	American Express India Pvt Ltd.	–	–	7,530,000	7,100,000
	Others	–	–	27,906	27,000
Advances	American Express India Pvt Ltd.	–	–	248,687	172,924
	American Express Services India Ltd	–	–	7,397	35,768
	Others	–	–	1,134	1,407
Advances Total		–	–	257,218	210,099
Maximum Outstanding	American Express India Pvt Ltd.	–	–	291,886	216,671
	American Express Services India Ltd	–	–	16,397	35,768
	Others	–	–	2,728	3,263
Receivables	American Express Travel Related Services Company Inc.	–	–	150,007	132,839
	American Express International Inc.	–	–	92,246	94,458
	American Express Australia Ltd	–	–	1,080	28,474
	Others	–	–	43,212	20,323
Receivables Total		–	–	286,545	276,094
Payables	American Express India Pvt Ltd.	–	–	376,854	373,002
	American Express International Inc.	–	–	295,787	208,988
	American Express Europe Limited	–	–	204,582	41,258



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

Particulars	Related Party	Parent – Head Office		Subsidiaries of Head Office / Parent Co.	
		2013-14	2012-13	2013-14	2012-13
	American Express Travel Related Services Company Inc.	–	–	134,647	251,440
	Others	–	–	116,713	99,625
Payables Total		–	–	1,128,583	974,313
Transfer of assets	American Express India Pvt Ltd.	–	–	11,914	(1,360)
	Others	–	–	(1,521)	–
Transfer of assets Total		–	–	10,393	(1,360)
Interest Expense	American Express India Pvt Ltd.	–	–	532,976	508,537
	Others	–	–	2,050	399
Interest Expense Total		–	–	535,026	508,936
Revenue from Services Rendered	American Express Travel Related Services Company Inc.	–	–	884,642	780,596
	American Express Limited	–	–	330,733	91,938
	American Express Prepaid Card Management Corporation	–	–	64,678	127,148
	Others	–	–	218,816	156,578
Revenue from Services Rendered Total		–	–	1,498,869	1,156,260
Cost of Services Received	American Express Services India Ltd	–	–	670,349	520,713
	American Express Travel Related Services Company Inc.	–	–	617,934	709,819
	American Express India Pvt Ltd.	–	–	611,046	484,666
	American Express Australia Ltd	–	–	89,056	262,524
	Others	–	–	16,061	13,386
Cost of Services Received Total		–	–	2,004,446	1,991,108

** No disclosure has been made in respect of Key Management Personnel, keeping in view the secrecy clauses and the provisions of the RBI guidelines.

5. Other Liabilities include:

(Amount in Rs. '000)

Particulars	2013-2014	2012-2013
Provisions towards Standard Assets	84,478	67,136
Other Provisions*	98,992	100,148
Prepaid Cards	816,509	240,145

*Includes Counter Cyclical Provisioning Buffer of Rs.88,500 thousands (Previous Year Rs.88,500 thousands).

6. Floating Provisions: The Bank has no policy of making floating provision.

7. Leases

The Bank's significant leasing arrangements are in respect of operating leases for commercial and residential premises. Lease expenditure for operating leases is recognized on a straight-line basis over the primary period of lease.

(Amount in Rs. '000)

Particulars	2013-14	2012-13
Future minimum lease payments under non-cancellable Operating leases		
Not later than 1 year	114,476	94,224
Later than 1 year and not later than 5 years	158,797	2,69,681
Later than 5 years	–	–
Lease payments recognized in the Profit and Loss Account in respect of operating leases	103,106	1,08,571



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

8. Provision, Contingent Liabilities and Contingent Assets

Movement in provision for membership reward points:

(Amount in Rs. '000)

Particulars	2013-14	2012-13
Opening	864,006	614,495
Additions	889,745	711,462
Utilisations/Write backs	755,716	461,951
Closing Balance	998,035	864,006

The bank estimates provision for card reward points by applying historic redemption on points eligible for redemption by a card member.

9. Taxes

The income tax expenses comprise the following:

(Amount in Rs. '000)

Particulars	2013-14	2012-13
Wealth Tax	736	400
Deferred Income tax (benefit)/ expense	317,770	(152,913)
Total	318,506	(152,513)

10. Description of contingent liabilities

Contingent Liabilities	Brief Description
1. Claims against the bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial condition, result of operations and cash flows.

* Also refer Schedule 12 – Contingent Liabilities

11. Employee Benefits

The disclosures required as per the revised AS 15 are as under:

Brief description of the Plans

The Bank has various schemes for long-term benefits such as provident fund, pension, and gratuity and leave encashment. The Bank's defined contribution plans are provident fund and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952), and the Bank has no further obligation beyond making the contributions. The Bank's defined benefit plans includes pension for deferred/vested pensioner (left employees), gratuity and leave encashment.

(Amount in Rs. '000)

A	Charge to the Profit and Loss Account based on contributions:	2013-14	2012-13
	Provident fund	31,671	25,992
	Superannuation	2,623	2,781
	TOTAL	34,294	28,773



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B Contribution towards Pension for deferred / vested pensioners (left employees) :

The above employee benefit is covered under Pension Trust and as detailed under Paragraph III 9 (b) of Schedule 18 above.

Pension: The components of net benefit expenses recognized in the Profit and Loss Account and Balance Sheet and the funded status for the pension benefit plan are summarised below:

(Amount in Rs. '000)

		As at 31st March, 2014	As at 31st March, 2013
I	Assumptions		
	Mortality Rate (in deferment)	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
	Mortality Rate (Post retirement)	LIC (1996-98) Ultimate	LIC (1996-98) Ultimate
	Discount Rate	9.25%	8.00%
	Rate of increase in compensation	Not Applicable	Not Applicable
	Rate of return (expected) on plan assets	7.50%	7.50%
II	Changes in present value of obligations		
	Defined Benefit Obligation at beginning of the Year	29,667	26,804
	Interest Cost	2,173	2,265
	Current Service Cost	–	–
	Actuarial Losses/(Gains)	(2,799)	1,533
	Benefit Payments	(5,018)	(935)
	Defined Benefit Obligation at end of the Year	24,023	29,667
III	Changes in fair value of plan assets		
	Fair Value of Plan Assets at beginning of the Year	72,164	78,558
	Expected return on plan assets	5,224	5,857
	Actuarial Gain / (Loss)	(1,601)	(11,316)
	Benefit Payments	(5,018)	(935)
	Fair Value of Plan Assets at end of the Year	70,769	72,164
IV	Amounts to be recognised in the Balance Sheet		
	Defined Benefit Obligation at the end of the Year	24,023	29,667
	Fair Value of Plan Assets at the end of the Year	70,769	72,164
	Amount not recognised as an Asset	–	–
	Surplus Assets	46,746	42,497
V	Expense Recognised	–	–

The Pension Fund assets are invested in government securities, corporate bonds and other eligible investments.

	As at 31st March, 2014	As at 31st March, 2013
	Percentage	
Government of India securities (Central and State)	42.47	44.82
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	57.53	55.18
Others	–	–
Total	100.00	100.00



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

Experience Adjustments					
	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2010
Defined Benefit Obligation at end of the period	(24,023)	(29,667)	(26,804)	(28,145)	(30,509)
Plan Asset as at the end of the period	70,769	72,164	78,558	70,909	68,890
Funded Status	46,746	42,497	51,754	42,765	38,381
Experience Gain/(Loss) adjustments on plan liabilities	(1,667)	865	(372)	3,117	Not Available
Experience Gain/(Loss) adjustments on plan assets	(1,601)	(11,316)	3,842	(3,147)	Not Available
Actuarial Gain/(Loss) due to change on assumptions	4,466	(2,398)	2,449	1,580	Not Available

(Amount in Rs. '000)

C	Contribution towards Gratuity: The above employee benefit is covered under a Gratuity Trust and as detailed under Paragraph II 9 (c) of Schedule 18 above.
	Gratuity: The components of net benefit expenses recognized in the Profit and Loss Account and Balance Sheet and the funded status for gratuity benefit plan are summarised below:

(Amount in Rs. '000)

		As at 31st March, 2014	As at 31st March, 2013
I	Assumptions		
	Mortality	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
	Discount Rate	9.25%	8.00%
	Rate of increase in compensation	9.50% p.a. for first year and 8.50% thereafter	9.50% p.a. for first year and 6.00% thereafter
	Rate of return (expected) on plan assets	7.5%	7.5%
	Withdrawal rates	Up to age 30 - 34%, age 31-40 - 21% age 41-50 - 10% age 51 and above - 5%	Up to age 30 - 34%, age 31-40 - 12% age 41-50 - 10% age 51 and above - 5%
II	Changes in present value of obligations		
	DBO at beginning of the Year	84,276	64,897
	Interest Cost	6,494	5,340
	Current Service Cost	9,630	8,286
	Benefits Paid	(6,201)	(5,601)
	Actuarial Losses/(Gains) on obligation	16,305	11,354
	Liabilities extinguished on settlements	-	-
	DBO at end of the Year	110,504	84,276
III	Changes in fair value of plan assets		
	Fair Value of Plan Assets at beginning of the Year	43,965	43,611
	Expected Return of Plan Assets	3,214	3,061
	Contributions	4,000	-
	Benefits paid	(6,201)	(5,601)
	Assets distributed in settlements	-	-
	Actuarial gain / (loss) on plan assets	(137)	2,894
	Fair Value of Plan Assets at end of the Year	44,841	43,965



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

(Amount in Rs. '000)

		As at 31st March, 2014	As at 31st March, 2013
IV	Amounts to be recognised in the Balance Sheet		
	Present Value of DBO at the end of the Year	110,504	84,276
	Fair Value of Plan Assets at end of the Year	44,841	43,965
	(Funded)/Unfunded Status	(65,663)	(40,311)
	Unrecognised Past Service Costs	-	-
	Net Asset /(Liability) recognised in the Balance Sheet	(65,663)	(40,311)
V	Expense Recognised		
	Current Service Cost	9,630	8,286
	Interest Cost	6,494	5,340
	Expected Return on Plan Assets	(3,214)	(3,061)
	Net Actuarial Gain /(Loss) recognised for the Year	16,442	8,460
	Expense recognised in the statement of P&L A/c	29,352	19,025

The estimate of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in employee market.

The Gratuity Fund assets are invested in government securities, corporate bonds and other eligible investments.

Major categories of Plan assets as a percentage of total plan assets.

	As at 31st March, 2014	As at 31st March, 2013
	Percentage	
Government of India securities (Central and State)	16.78	17.04
High quality corporate Bonds (Including Public Sector Bonds)	70.77	72.06
Equity shares	-	-
Cash (Including Special Deposits)	12.45	10.90
Others	-	-
Total	100.00	100.00

Experience Adjustments

	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2010
Defined Benefit Obligation at end of the period	(110,504)	(84,276)	(64,897)	(60,872)	(44,818)
Plan Asset as at the end of the period	44,841	43,965	43,611	50,926	53,616
Funded Status	(65,663)	(40,311)	(21,286)	(9,946)	8,798
Experience Gain/(Loss) adjustments on plan liabilities	(6,423)	(5,782)	(7,095)	(10,924)	(618)
Experience Gain/(Loss) adjustments on plan assets	(137)	2,895	1,168	(2,021)	(2,468)
Actuarial Gain/(Loss) due to change on assumptions	(9,882)	(5,572)	(305)	1,417	Not Available

D Leave Encashment

The amount charged to Profit and Loss Accounts during the year towards Leave Encashment – Rs. 5,137 thousand. (Previous Year Rs. 17,057 thousand)

The liability for leave encashment and compensated absences as on March 31, 2014 is Rs. 55,969 thousand (Previous Year Rs. 85,486 thousand).



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

12. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

During the year, there has been one instance of delay in payment, in excess of 45 days to Micro, Small and Medium Enterprises or of interest payments. The details of the same are as below:

(Amount in Rs. '000)

	Particulars	2013-14	2012-13
1	Principal amount due remaining unpaid	-	-
2	Interest amount due thereon and remaining unpaid	-	-
3	Amount of interest paid in terms of Section 18 of the MSMED Act 2006	2	-
4	Interest due and payable (under the MSMED Act 2006) which have not been paid (covering all payments)	-	2
5	The amount of interest accrued and remaining unpaid at the end of the accounting year (i.e. including amount brought forward from previous year)	-	2
6	Details on payments made up to June 10, 2012 in respect of outstanding as at Sl. No. 1 above.	-	-

13. Details of fees / remuneration received in respect of bancassurance business:

(Amount in Rs. '000)

Particulars	2013-2014	2012-2013
Others – Income from Insurance Referral Business	47,698	30,161

14. Disclosures on Remuneration:

Qualitative Disclosures

Being a Branch of a Foreign Bank, the Bank does not have any Remuneration Committee for approval of the Managerial Remuneration. The Bank's compensation structure is in conformity with the principles and practices set out by the Financial Stability Board (FSB). Further, the Bank has obtained the RBI's approval for the Chief Executive Officer's (CEO) remuneration.

Quantitative Disclosures

The quantitative disclosures cover the Bank's CEO and Key Risk Takers. The Bank's Key Risk Takers include the CEO, Head of Business Units and select roles in Treasury and Risk.

(Amount in Rs. '000)

SI No.	Particulars	2013-2014	2012-2013
1	(i) Number of employees having received a variable remuneration award during the financial year.	5	5
	(ii) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	103,607	49,191
	(iii) Total amount of deferred remuneration paid out in the financial year	26,178	24,148
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		
	Fixed	32,783	35,083
	Variable	54,380	37,979
	Deferred	31,500	21,038
	Non-deferred	22,880	16,942



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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

(Amount in Rs. '000)

SI No.	Particulars	2013-2014	2012-2013
3	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	82,839	38,247
	(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	-	-
	(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
4	Retirals (PF, Gratuity, SA)	2,411	4,183

15. Comparative figures

Previous year figures have been reclassified and regrouped wherever considered necessary to conform to current year's presentation.

Signature to Schedules 1 to 18

For **Price Waterhouse**
Firm Registration Number 012754N
Chartered Accountants

Sd/-
Sharad Vasant
Partner
Membership No. 101119

Place: Mumbai
Date: June 9, 2014

For and on behalf of
American Express Banking Corp.- India Branch

Sd/-
Manoj Adlakha
Interim Chief Executive Officer

Sd/-
Neeshant Upadhya
Financial Controller

Place: Gurgaon
Date: June 6, 2014