

**Financial Statements**

**AMERICAN EXPRESS BANKING CORP.**

*(INDIA BRANCH)*

**Year ended March 31, 2016**



# 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, 2016, 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 matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and circulars and guidelines issued by the Reserve Bank of India from time to time as applicable to the Bank. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls 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.
4. We have taken into account the provisions of the Act and the Rules made thereunder including accounting standards, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by Reserve Bank of India as applicable to banks and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act 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.
6. 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

##### Opinion

8. 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 as well as Companies Act, 2013 and circulars and guidelines issued by Reserve Bank of India, 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, of the state of affairs of the Bank as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

##### Report on Other Legal and Regulatory Requirements

9. 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 applicable provisions of section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. As required by sub section (3) of 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 purpose of our audit and have found them to be satisfactory.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

- b. the transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
  - c. since the Bank is having only one branch, the question on reporting the number of branches audited by us and manner of audit thereon does not arise.
11. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:
- a) We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books, except that the backup of the books of accounts and other books and papers maintained in electronic mode has not been maintained on servers physically located in India; Refer note I of Schedule 18 of the financial statements wherein it has been stated that the back up of the books of accounts and other books and papers maintained in electronic mode has been maintained on servers physically located outside India;
  - c) The Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are consistent with the accounting policies prescribed by the Reserve Bank of India;
  - e) The requirements of Section 164(2) of the Companies Act, 2013 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;
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in Annexure A;
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our of our knowledge and belief and according to information and according to the explanations given to us:
    - i. The Bank has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its financial statements – Refer Schedule 12 to the financial statements;
    - ii. The Bank has made provision as at March 31, 2016, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts. Refer Schedule 5 to the financial statements. There are no derivative contracts as at March 31, 2016;
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2016.

For **Price Waterhouse Chartered Accountant LLP**

Firm Registration Number: 012754N/N500016

Chartered Accountants

Sd/-

**Sharad Vasant**

Partner

Membership Number: 101119

Place : Mumbai

Date : June 24, 2016



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (f) of the Independent Auditors' Report of even date to the Chief Executive Officer of American Express Banking Corp. – India Branch on the financial statements for the year ended March 31, 2016

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of American Express Banking Corp. – India Branch (“the Bank”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

2. The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Price Waterhouse Chartered Accountant LLP**

Firm Registration Number: 012754N/N500016

Chartered Accountants

Sd/-

**Sharad Vasant**

Partner

Membership Number : 101119

Place : Mumbai

Date : June 24, 2016



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

BALANCE SHEET AS AT MARCH 31, 2016				PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016			
(Amount in INR '000)				(Amount in INR. '000)			
Schedule	As at March 31, 2016	As at March 31, 2015	Schedule	Year ended March 31, 2016	Year ended March 31, 2015		
<b>CAPITAL AND LIABILITIES</b>			<b>INCOME</b>				
Capital	1	9,969,644	9,969,644	Interest Earned	13	2,039,507	1,460,846
Reserves and Surplus	2	76,810	76,810	Other Income	14	8,449,252	7,204,061
Deposits	3	10,788,732	10,301,264	<b>Total</b>		<b>10,488,759</b>	<b>8,664,907</b>
Borrowings	4	13,335,406	6,033,873	<b>EXPENDITURE</b>			
Other Liabilities and Provisions	5	12,048,175	11,787,961	Interest Expended	15	1,478,365	1,338,263
<b>Total</b>		<b>46,218,767</b>	<b>38,169,552</b>	Operating Expenses	16	8,284,833	7,582,780
<b>ASSETS</b>				Provisions and Contingencies	17	976,833	469,813
Cash and Balances with Reserve Bank of India	6	1,090,697	950,697	<b>Total</b>		<b>10,740,031</b>	<b>9,390,856</b>
Balances with Banks and Money at Call and Short Notice	7	676,936	1,993,322	<b>PROFIT / (LOSS)</b>			
Investments	8	8,810,611	6,166,856	Net Profit / (Loss) for the Year		(251,272)	(725,949)
Advances	9	29,894,061	23,288,106	Profit / (Loss) brought forward		(3,689,565)	(2,963,616)
Fixed Assets	10	294,879	365,839			<b>(3,940,837)</b>	<b>(3,689,565)</b>
Other Assets	11	5,451,583	5,404,732	<b>APPROPRIATIONS</b>			
<b>Total</b>		<b>46,218,767</b>	<b>38,169,552</b>	Transfer to Statutory Reserve		–	–
Contingent Liabilities	12	217,658	–	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		(3,940,837)	(3,689,565)
						<b>(3,940,837)</b>	<b>(3,689,565)</b>
				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 Chartered Accountants LLP**  
Firm Registration Number 012754N/N500016  
Chartered Accountants

Sd/-  
**Sharad Vasant**  
Partner  
Membership No. 101119

Place: Mumbai  
Date: June 24, 2016

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**  
Chief Executive Officer

Sd/-  
**Neesant Upadhya**  
Financial Controller

Place: Gurgaon  
Date: June 23, 2016



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs. '000)

	Year ended March 31, 2016	Year ended March 31, 2015
<b>Cash Flow from Operating activities</b>		
Net profit/(loss) before taxes	(251,272)	(725,949)
<b>Adjustments for :</b>		
Provision for standard advances	26,039	8,068
Provision for non-performing advances	197,938	(34,109)
Depreciation on assets	127,285	170,437
Net (profit)/loss on sale of land, building and other assets	(3,761)	(7,771)
Operating profit before working capital changes	96,229	(589,324)
(Increase)/decrease in investments	(2,643,755)	(834,116)
(Increase)/decrease in advances	(6,803,893)	(2,024,050)
Increase/(decrease) in deposits	487,468	3,420,687
(Increase)/decrease in other assets	204,454	(476,619)
Increase/(decrease) in other liabilities and provisions	234,175	3,441,776
(Taxes paid)/(Taxes deducted at source)/Refund received [net]	(33)	(1,273)
<b>A Net Cash Flow (used in)/from operating activities</b>	<b>(8,425,355)</b>	<b>2,937,081</b>
<b>Cash Flow from Investing activities</b>		
Fixed assets purchased	(61,903)	(90,215)
Proceeds from sale of fixed assets	9,339	15,836
<b>B Net Cash Flow (used in)/from Investing activities</b>	<b>(52,564)</b>	<b>(74,379)</b>
<b>Cash Flow from Financing activities</b>		
Infusion of capital	-	2,442,200
Proceeds/(Repayment) from/of Borrowings	4,001,533	(3,903,707)
Proceeds from Subordinate Debt	3,300,000	-
<b>C Net Cash Flow from/(used in)Financing activities</b>	<b>7,301,533</b>	<b>(1,461,507)</b>
<b><u>Net Increase/(Decrease) in cash and cash equivalents (A+B+C)</u></b>	<b><u>(1,176,386)</u></b>	<b><u>1,401,195</u></b>
Cash and cash equivalents at beginning of year	2,944,019	1,542,824
Cash and cash equivalents at end of year	1,767,633	2,944,019
Increase/(decrease) in cash and cash equivalents	<u>(1,176,386)</u>	<u>1,401,195</u>

#### 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 Chartered Accountants LLP**  
Firm Registration Number 012754N/N500016  
Chartered Accountants

Sd/-  
**Sharad Vasant**  
Partner  
Membership No. 101119

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

Sd/-  
**Manoj Adlakha**  
Chief Executive Officer

Sd/-  
**Neesant Upadhya**  
Financial Controller

Place: Mumbai  
Date: June 24, 2016

Place: Gurgaon  
Date: June 23, 2016



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs. '000)			(Amount in Rs. '000)		
	As at March 31, 2016	As at March 31, 2015		As at March 31, 2016	As at March 31, 2015
<b>SCHEDULE 1 – CAPITAL</b>			<b>SCHEDULE 4 – BORROWINGS</b>		
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	8,785,406	4,783,873
Opening balance	9,969,644	7,527,444	II. BORROWINGS OUTSIDE INDIA	4,550,000	1,250,000
Additions during the year	–	2,442,200	[Refer Note IV: 1.b of Schedule 18]	<u>13,335,406</u>	<u>6,033,873</u>
Closing balance	<u>9,969,644</u>	<u>9,969,644</u>	Secured borrowings included in I and II above	<u>Nil</u>	<u>Nil</u>
<b>SCHEDULE 2 – RESERVES AND SURPLUS</b>			<b>SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS</b>		
I. STATUTORY RESERVES			I. Bills payable	–	–
Opening balance	76,810	76,810	II. Inter-office adjustments (net)	–	–
Additions during the year	–	–	III. Interest accrued	141,161	177,411
Closing balance	<u>76,810</u>	<u>76,810</u>	IV. Others (including provisions)	11,907,014	11,610,550
II. CAPITAL RESERVES				<u>12,048,175</u>	<u>11,787,961</u>
Opening balance	–	–	<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
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	1,090,697	950,697
Opening balance	–	–	ii) In Other accounts	–	–
Additions during the year	–	–		<u>1,090,697</u>	<u>950,697</u>
Closing balance	–	–	<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
IV. REVENUE AND OTHER RESERVES			I. In India		
Opening balance	–	–	Balances with banks		
Additions during the year	–	–	i) In Current Accounts	676,936	1,993,322
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	–	–
<b>SCHEDULE 3 - DEPOSITS</b>			ii) With other institutions	–	–
A. In India				<u>676,936</u>	<u>1,993,322</u>
I. DEMAND DEPOSITS			II. Outside India		
From banks	–	–	i) In Current Accounts	–	–
From others	–	–	ii) In Other Deposit Accounts	–	–
II. SAVINGS BANK DEPOSITS	–	–	iii) Money at call and short notice	–	–
III. TERM DEPOSITS				<u>676,936</u>	<u>1,993,322</u>
From banks	–	–			
From others (Institutional)	10,788,732	10,301,264			
	<u>10,788,732</u>	<u>10,301,264</u>			
B. (i) Deposits of branches in India	10,788,732	10,301,264			
(ii) Deposits of branches outside India	–	–			
	<u>10,788,732</u>	<u>10,301,264</u>		<u>676,936</u>	<u>1,993,322</u>



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs. '000)			(Amount in Rs. '000)		
	As at March 31, 2016	As at March 31, 2015		As at March 31, 2016	As at March 31, 2015
<b>SCHEDULE 8 – INVESTMENTS</b>			<b>SCHEDULE 10 – FIXED ASSETS</b>		
I. Investment in India in			I. PREMISES		
i) Government Securities (Treasury Bill)	8,810,611	6,166,856	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	–	–			
	<b>8,810,611</b>	<b>6,166,856</b>	II. OTHER FIXED ASSETS (Including Furniture and Fixtures)*		
II. Investment outside India in			At cost as on March 31 of the preceding year	1,710,487	1,722,594
i) Government Securities (including local authorities)	–	–	Additions during the year	61,903	90,215
ii) Subsidiaries and/or joint ventures abroad	–	–	Deductions during the year	(61,197)	(102,322)
iii) Others	–	–		<u>1,711,193</u>	<u>1,710,487</u>
	<b>8,810,611</b>	<b>6,166,856</b>	Depreciation to date	(1,416,314)	(1,344,648)
			Total Net Book Value II	<u>294,879</u>	<u>365,839</u>
<b>SCHEDULE 9 – ADVANCES</b>			Net Book Value I and II	<b>294,879</b>	<b>365,839</b>
A. i) Bills purchased and discounted	–	–	* Refer Note III. 7 of Schedule 18		
ii) Cash credits, overdraft and loan repayable on demand	29,893,929	23,287,959	<b>SCHEDULE 11 - OTHER ASSETS</b>		
iii) Term loans - Staff	132	147	I. Inter-office adjustments (net)	–	–
	<b>29,894,061</b>	<b>23,288,106</b>	II. Interest accrued	79,398	51,237
B. i) Secured by tangible assets (Secured by Fixed Deposits)	538,511	316,918	III. Tax paid in advance/ tax deducted at source	6,351	6,318
ii) Covered by bank/ governments guarantees	971,844	804,372	IV. Stationery and Stamps	–	–
iii) Unsecured	28,383,706	22,166,816	V. Non-banking assets acquired in satisfaction of claims	–	–
	<b>29,894,061</b>	<b>23,288,106</b>	VI. Deferred tax asset	–	–
C. I. Advances in India			VII. Others (Including Debit Balance in Profit and Loss Account Rs. 3,940,837 ('000) - Previous year Rs. 3,689,565 ('000))	5,365,834	5,347,177
i) Priority sector *	–	–		<b>5,451,583</b>	<b>5,404,732</b>
ii) Public sector	–	–	<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
iii) Banks	–	–	I. Claims against the bank not acknowledged as debts	217,658	–
iv) Others	29,894,061	23,288,106	II. Liability for partly paid investments	–	–
	<b>29,894,061</b>	<b>23,288,106</b>	III. Liability on account of outstanding forward exchange contracts	–	–
II. Advances Outside India			IV. Guarantees given on behalf of constituents		
i) Due from banks	–	–	a) In India	–	–
ii) Due from others			b) Outside India	–	–
(a) Bills purchased and discounted	–	–	V. Acceptances, endorsements and other obligations	–	–
(b) Syndicated loans	–	–	VI. Other items for which the bank is contingently liable	–	–
(c) Others	–	–		<b>217,658</b>	–
	<b>29,894,061</b>	<b>23,288,106</b>			

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





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## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

	(Amount in Rs. '000)			(Amount in Rs. '000)	
	Year ended March 31, 2016	Year ended March 31, 2015		Year ended March 31, 2016	Year ended March 31, 2015
<b>SCHEDULE 13 – INTEREST EARNED</b>			<b>SCHEDULE 16 – OPERATING EXPENSES</b>		
Interest/discount on advances/bills	1,470,642	1,005,725	Payments to and provisions for employees	1,239,032	1,279,422
Income on investments	568,865	455,121	Rent, taxes and lighting	139,635	142,533
Interest on balances with the Reserve Bank of India and other inter-bank funds	–	–	Printing and stationery	82,630	76,929
Others	–	–	Advertisement and publicity	3,065,952	2,584,982
	<u>2,039,507</u>	<u>1,460,846</u>	Depreciation on Bank's property	127,285	170,437
<b>SCHEDULE 14 – OTHER INCOME</b>			Director's fee, allowances and expenses	–	–
Commission, exchange and brokerage (net) [Refer Note IV.3 of Schedule 18]	7,970,052	6,727,925	Auditors' fees and expenses [Refer Note IV. 19 of Schedule 18]	5,745	4,894
Net Profit/(Loss) on sale of investments	40	–	Law charges	9,218	4,877
Net Profit/(Loss) on revaluation of investments	–	–	Postage, telegram, telephones etc.	181,406	179,686
Profit on sale of land, building and other assets	4,378	10,441	Repairs and maintenance	88,305	170,770
Less: Loss on sale of land, building and other assets	(617)	(2,670)	Insurance	14,150	10,834
Net profit on exchange transactions	–	–	Business Support Cost (net)	2,335,747	2,080,857
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	–	–	Other expenditure	995,728	876,559
Miscellaneous Income	475,399	468,365		<u>8,284,833</u>	<u>7,582,780</u>
	<u>8,449,252</u>	<u>7,204,061</u>	<b>SCHEDULE 17 – PROVISIONS AND CONTINGENCIES*</b>		
<b>SCHEDULE 15 – INTEREST EXPENDED</b>			Depreciation in the value of securities	–	–
Interest on deposits	793,705	689,402	Provision for advances and receivables	976,880	469,509
Interest on Reserve Bank of India/ interbank borrowings	684,660	648,861	Provision for income tax and wealth tax :		
Others	–	–	Wealth Tax	(47)	304
	<u>1,478,365</u>	<u>1,338,263</u>	Fringe Benefit Tax	–	–
			Deferred Income Tax	–	–
			[Refer Note IV.5 of Schedule 18]		
				<u>976,833</u>	<u>469,813</u>
			* Refer Note IV.1.e of Schedule 18 for details		

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

- I. The financial statements for the year ended March 31, 2016 comprises the Balance Sheet, Profit and 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. The Bank has maintained the books of accounts and other books and papers in the electronic mode, periodic backup of which have been maintained on servers physically located outside of India.
- II. **Background:** American Express Banking Corp. - India Branch 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.
- III. **Significant Accounting Policies**
  1. **Basis of preparation:** The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated and are in accordance with the generally accepted accounting principles in India,



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time and Accounting Standards (AS) prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and conform to the statutory requirements prescribed by the RBI from time to time and current practices prevailing within the banking industry in India.

The Ministry of Corporate Affairs (“MCA”) has notified The Companies (Accounting Standard) Amendment Rules 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3 (2) of the Companies (Accounting Standard) Rules, 2006 is applicable to the accounting period commencing on or after the date of notification i.e. April 01, 2016. Hence the said notification has not been considered in the preparation of the financial statements.

The financial statements are presented in Indian Rupees rounded off to the nearest thousand unless otherwise stated.

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. Joining fees on cards are recognised in the year of billing.
  - (ii) Interest income and other charges on card balances are recognized 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) Recovery from bad debts written off is recognized as income on the basis of actual realization from customers.
  - (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 recognized in the Profit and Loss Account of the same 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. Transactions wherein there is no foreign exchange risk, the amounts are carried at the settlement rates.
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 as per RBI guidelines.
  - (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. In the case of sub-standard assets, in addition to minimum provision requirement prescribed by RBI, the bank makes additional provision based on best estimate of probable losses.

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 generally writes off in the books of account, the outstanding card receivables which are 180 days past due from the due date. Accelerated write off is effected where it is evident that the outstanding amount is unlikely to be recovered.

Receivables from overseas group entities on account of merchant payments made for the spend made by overseas card members in India, have been classified under Other Assets in the Financial Statements.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

#### 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 capitalises all costs relating to acquisition and installation of fixed assets.
- (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, over estimated useful life prescribed in Schedule II to the Companies Act, 2013.
- (iv) Fixed assets are depreciated over the estimated useful life given in the table below:

<u>Asset</u>	<u>Estimated Useful Life</u>
Leasehold Improvements	Over the lease period
Data Processing Equipments	
Server and Networks	6 years
End User Devices such as laptop, desktop, etc	3 years
Transport Equipments	8 years
Furniture and Fixtures	10 years
Machinery and Equipments	
Office Equipments	5 years
Headsets and Mobile Phones	3 years

##### 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.
- (ii) In addition to the above arrangement, there are deferred (exited) employees, who had opted for the defined benefit scheme. 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 recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet. Actuarial gains or losses are recognized 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 recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet. Actuarial gains or losses are recognized 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.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### 10. Income Taxes

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

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 as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014.

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.

Treasury activities include the Investments and balance in bank account to meet the Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR) 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.

##### 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 to ascertain if there is any indication of impairment based on internal/external factors in accordance with Accounting Standard – 28, Impairment of Assets issued by Institute of Chartered Accountants of India as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014. 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, 2016, the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) (including capital conservation buffer of 0.625%) of 9.625%. Further, within this overall capital requirement, the Bank is also required to maintain a Minimum Common Equity Tier 1 (including capital conservation buffer of 0.625%) of 6.125% and Minimum Tier 1 Capital of 7%. The Bank's Capital Adequacy Ratio, calculated as per the Basel III Capital Regulations is provided here under.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

Particulars	2015-16	2014-15
Common Equity Tier 1 capital ratio (%)	11.98%	15.57%
Tier I Capital Ratio (%)	11.98%	15.57%
Tier II Capital Ratio (%)	9.33%	3.50%
Total Capital ratio (CRAR) (%)	21.31%	19.07%
Percentage of the shareholding of the Government of India in public sector banks	–	–
Amount of equity capital raised		
– Head Office Funds (Rs. in '000)	–	2,442,200
Amount of additional Tier 1 capital raised	–	–
Amount of additional Tier 2 capital raised of which -		
– Debt Capital instrument: (Amount in Rs. '000)	3,300,000	–
– Preference Share Capital Instruments	–	–

#### b) Subordinated Debt:

Schedule 4 – Borrowings includes an amount of Rs. 3,300,000 and Rs. 1,250,000 thousands pertaining to subordinated debt raised during 2015-16 and 2013-14 respectively from Head Office. Details of the Head Office borrowings is as under –

(Amount Rs. in '000)

Particulars	2015-16		2014-15
Date of Borrowing	1-Nov-2013	27-Nov-2015	1-Nov-2013
Rate of Interest	Interest Free	Interest Free	Interest Free
Amount (INR. '000)	1,250,000	3,300,000	1,250,000
Date of Repayment	1-Nov-2023	27-Nov-2025	1-Nov-2023
Call Option with the Bank	After completion of 5 years from the Issuance date (1-Nov-2018), with a prior notice of 120 days to the Lender. During the year, the bank has decided not to exercise the prepayment option.	After completion of 5 years from the Issuance date (27-Nov-2020), with a prior notice of 120 days to the Lender. The bank has decided to exercise the prepayment option only after 01-Apr-2022.	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 prepayment option only after 30-June-2020.

#### c) Business/Information Ratios:

	Particulars	2015-16	2014-15
a.	Interest income as a percentage to working funds (%)	5.16	4.47
b.	Non-interest income as a percentage to working funds (%)	21.37	22.05
c.	Operating profit as a percentage to working funds (%)	1.83	(0.81)
d.	Return on assets (%)	(0.64)	(2.22)
e.	Business (deposits plus advances) per employee (Amount in Rs. '000)	51,959	41,448
f.	Profit/(loss) per employee (Amount in Rs. '000)	(351)	(990)

#### Definitions:

- Working funds is the average of total assets as reported in return Form X under Section 27 of Banking Regulation Act, 1949 (excluding accumulated losses) during the year.
- Operating profit = (Interest income + other income – interest expenses – operating expenses – amortization of premium on investments – profit / (loss) on sale of fixed assets).
- “Business” is the average of the total of advances and deposits (net of inter-bank deposits).
- Productivity ratios are based on number of employees at year end.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### d) Asset Liability Management - Maturity Pattern of Certain Assets and Liabilities

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 Rs. in '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
<b>Deposits -</b>											
Current Year	–	350,000	154,000	1,209,671	3,970,009	4,569,792	533,760	1,500	–	–	10,788,732
Previous Year	–	400,000	227,000	974,000	2,135,108	3,739,269	2,825,887	–	–	–	10,301,264
<b>Advances -</b>											
Current Year	821,393	4,928,356	5,749,749	11,499,498	3,516,457	1,087,068	645,218	1,398,370	247,952	–	29,894,061
Previous Year	660,373	3,962,240	4,622,613	9,245,226	2,681,373	732,152	417,073	815,207	151,849	–	23,288,106
<b>Investments -</b>											
Current Year	2,871,351	608,399	753,103	346,465	1,631,984	946,764	459,750	260,921	1,552	930,322	8,810,611
Previous Year	–	478,904	998,590	1,149,042	1,582,378	835,012	477,638	282,055	1,491	361,746	6,166,856
<b>Borrowings -</b>											
Current Year	–	2,100,000	390,000	–	3,000,000	1,510,138	1,785,268	–	–	4,550,000	13,335,406
Previous Year	686,490	–	–	–	590,000	3,507,383	–	–	–	1,250,000	6,033,873
<b>Foreign Currency Assets -</b>											
Current Year	482,712	–	2,288	272,395	86	–	–	–	–	–	757,481
Previous Year	1,823,790	–	48,386	180,059	383,406	–	–	–	–	–	2,435,641
<b>Foreign Currency Liabilities -</b>											
Current Year	1,868	45,712	5,511	786,978	314,504	–	–	–	–	4,550,000	5,704,573
Previous Year	1,460	295,250	4,479	197,775	1,581,700	–	–	658	–	1,250,000	3,331,322

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

(Amount Rs. in '000)

Particulars	2015-16	2014-15
Provision for depreciation on Investment	–	–
Provision towards Non Performing Assets	197,938	(34,108)
Provision towards Standard Assets	26,039	8,068
Write-offs	953,056	660,224
Recoveries	(271,761)	(210,013)
Others	71,608	45,338
Provision made towards Income tax, Wealth Tax and Deferred Tax	(47)	304
<b>TOTAL</b>	<b>976,833</b>	<b>469,813</b>

##### f) Investments

(Amount Rs. in '000)

Value of Investments	2015-16	2014-15
Gross value of Investments		
In India	8,810,611	6,166,856
Outside India	–	–
Provision for depreciation		
In India	–	–
Outside India	–	–
Net value of investments		
In India	8,810,611	6,166,856
Outside India	–	–



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

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

(Amount Rs. in '000)

Particulars	2015-16	2014-15
(i) Net NPAs to Net Advances (%)	0.83%	0.65%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	202,268	195,153
(b) Additions during the year	1,720,644	839,543
(c) Reductions during the year	1,426,586	832,428
(d) Closing balance	496,326	202,268
(iii) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	50,567	84,675
(b) Additions during the year	915,539	209,886
(c) Reductions during the year	717,601	243,994
(d) Closing balance	248,505	50,567
(iv) Movement of Net NPAs		
(a) Opening balance	151,701	110,478
(b) Provisions made during the year	805,105	629,657
(c) Write off / write back of excess provision	708,985	588,434
(d) Closing balance	247,821	151,701

##### h) Category-wise NPAs (funded)

(Amount Rs. in '000)

Non-performing asset category	2015-16		2014-15	
	Gross NPAs	Provisions	Gross NPAs	Provisions
Sub standard	465,319	217,498	202,268	50,567
Doubtful	–	–	–	–
Loss	31,007	31,007	–	–
<b>Total</b>	<b>496,326</b>	<b>248,505</b>	<b>202,268</b>	<b>50,567</b>

##### 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

S. No	Particulars	2015-16	2014-15
1	No. of complaints pending at the beginning of the year	274	335
2	No. of complaints received during the year	13,735	11,982
3	No. of complaints redressed during the year	13,541	12,043
4	No. of complaints pending at the end of the year	468	274



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

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

###### Concentration of Deposits

(Amount Rs. in '000)

S. No	Particulars	2015-16	2014-15
1	Total Deposits of twenty largest depositors	10,585,797	10,166,641
2	Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	98.12%	98.69%

###### Concentration of Advances

(Amount Rs. in '000)

S. No	Particulars	2015-16	2014-15
1	Total Advances of twenty largest borrowers	6,063,024	5,468,038
2	Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	20.11%	23.43%

###### Concentration of Exposures

(Amount Rs. in '000)

S. No	Particulars	2015-16	2014-15
1	Total Exposure to twenty largest borrowers / customers	5,872,104	5,468,038
2	Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	19.84%	23.43%

###### Concentration of NPAs

(Amount Rs. in '000)

S. No	Particulars	2015-16	2014-15
1	Total Exposure to top four NPA accounts	34,269	25,339

##### l) Sector-wise Advances

(Amount Rs. in '000)

S. No.	Sector	2015-16			2014-15		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	–	–	–	–	–	–
3	Services	–	–	–	–	–	–
4	Personal Loans	–	–	–	–	–	–
	Sub Total (A)	–	–	–	–	–	–
<b>B</b>	<b>Non Priority Sector</b>						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	–	–	–	–	–	–
3	Services	–	–	–	–	–	–
4	Personal Loans	30,142,566	496,326	1.65%	23,338,673	202,268	0.87%
	Sub Total (B)	30,142,566	496,326	1.65%	23,338,673	202,268	0.87%
	<b>Totals (A+B)</b>	<b>30,142,566</b>	<b>496,326</b>	<b>1.65%</b>	<b>23,338,673</b>	<b>202,268</b>	<b>0.87%</b>





# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### m) Movement of NPAs

(Amount Rs. in '000)

S. No	Particulars	2015-16	2014-15
1	Gross NPAs - Opening Balance	202,268	195,153
2	Additions – Fresh NPAs during the year	1,720,644	839,543
3	Sub-Total [ A ] ( 1 + 2 )	1,922,912	1,034,696
4	Less :		
	i. Upgradations	125,543	55,216
	ii. Recoveries	485,365	304,473
	iii. Write-offs	815,678	472,739
	Sub-Total [ B ]	1,426,586	832,428
5	Gross NPAs – Closing Balance	496,326	202,268

##### 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, 2016 computed as per the RBI guidelines was 67.90% [2014-15: 68.75%].

##### o) Intra-Group Exposure

As a prudential measure aimed at better risk management and avoiding concentration and contagion of credit and liquidity risk that may arise from Intra Group Exposures, the Reserve Bank of India (RBI) has issued Guidelines on Management of Intra Group Transactions and Exposures (ITEs) vide its Circular No. RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014. Quantitative disclosures under the above guidelines are provided here.

(Amount Rs. in '000)

S. No.	Particulars	March 31, 2016	March 31, 2015
1	Total amount of intra-group exposures	4,333	216,690
2	Total amount of top-20 intra-group exposures	4,333	216,690
3	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.01%	0.93%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	None	None

##### p) Transfers to Depositor Education and Awareness Fund (DEAF)

As per guidelines issued by RBI in relation to Depositor Education and Awareness Fund Scheme, 2014, banks are required to transfer to a designated fund, the amounts becoming due in each calendar month i.e. proceeds of the inoperative accounts and balances remaining unclaimed for ten years or more as specified in the Scheme and the interest accrued thereon on the last working day of the subsequent month.

The Bank does not have any amount to disclose under Transfers to Depositor Education and Awareness Fund as of March 2016. Post RBI clarification dated August 24, 2015, the Bank has reversed abandoned property revenues on 'expired prepaid cards' during the current year pertaining to period May 2014 to March 2015 in line with notification the scheme in official gazette dated May 27, 2014, amounting INR 19,845 ('000) [2014-15: NIL].

##### q) Liquidity Coverage Ratio

As per 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards' dated June 9, 2014 (Circular Ref No. RBI/2012-13/635/DBOD.BP.BC.No.120/21.04.098 /2013-14), banks are required to monitor their resilience to potential liquidity disruptions under stress scenarios by ensuring that they have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days and fund their activities with more stable sources of funding on an ongoing basis. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows by January 1, 2019. However, with a view to provide transition time, the guidelines mandate a minimum requirement of 60% w.e.f. January 1, 2015 and a step up of 10% every year to reach the minimum requirement of 100% by January 1, 2019.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### Qualitative Disclosures

Liquidity Risk is defined as the inability of the Bank to meet its ongoing financial and business obligations as they become due, at a reasonable cost. The Bank manages its liquidity risk by maintaining access to a diverse set of readily marketable securities, and contingent sources of liquidity to ensure that it can continuously meet its business requirements and financial obligations. The India Country ALCO chaired by the CEO oversees the Bank's liquidity risk program. General principles and the overall framework for managing liquidity risk are defined in the Bank's Country Executive Committee (CEC) approved Treasury Policy which describes how the Bank seeks to manage funding and liquidity risk at an enterprise basis.

The Bank incurs and accepts liquidity risk through its established business model and through the normal course of offering its products and services. The liquidity risk the Bank is willing to accept is controlled through a CEC approved liquidity risk tolerance limit which provides for the maintenance of a cushion of high quality, unencumbered liquid assets to be held against identified funding requirements under stress for defined liquidity risk survival horizon. In addition, the Bank maintains a contingency funding plan in the event a material funding or liquidity crisis occurs which provides a framework for analyzing and responding to liquidity events that are both market-driven as well as institution-specific.

The liquidity risk that the Bank is exposed to can arise from a variety of sources and thus the Bank's liquidity management strategy includes a variety of parameters, assessments and guidelines, including, but not limited to:

- The maintenance of a diversified set of on and off balance sheet funding sources (capital, subordinate debt, Institutional deposits and credit lines from Banks) that utilizes a prudent amount of short-term funding liabilities
- The projection of cash inflows and outflows from a variety of sources under various stress scenarios.
- The capacity to conduct a range of hypothetical analyses of changes to funding requirements under stress scenarios
- A framework for the ongoing identification, measurement, management and monitoring of liquidity requirements
- The maintenance of a cushion of high quality, unencumbered liquid assets to be held against identified funding requirements under stress scenarios for a liquidity risk survival horizon of 30 Days as prescribed by the RBI under the Liquidity Coverage Ratio (LCR) standard
- Development of a robust contingency funding plan

The Bank has institutionalized a process of forecasting, measuring, monitoring and reporting of the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards" and subsequent circulars and notifications issued thereafter. These circulars and notifications are taken into effect in the respective periods.

The Bank has been in compliance with the minimum standard of 60% from 1st January 2015 to 31st December, 2015 and 70% from 1st January, 2016 onwards.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period.

Detailed compositions of elements of the LCR are listed below -

##### 1) High Quality liquid assets (HQLA)

Assets are considered to be HQLA if they can be converted into cash at little or no loss of value. The Bank holds stock of Level 1 HQLA in the form of excess CRR balances with RBI and excess Government securities over and above the SLR requirements. Additionally, the Bank also reckons government securities within the mandatory SLR requirement, to the extent allowed by the Reserve Bank under Marginal Standing Facility and Facility to avail Liquidity for LCR as Level 1 HQLA.

##### 2) Net Cash Outflows

The total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows, are calculated by multiplying the outstanding balances of various categories or types of liabilities by the rates at which they are expected to run off or be drawn down and total expected cash inflows are calculated by multiplying the outstanding balances of various categories of receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows, in line with RBI guidelines.

The major components of cash outflow for the Bank are unsecured wholesale funding (credit facilities from Banks and Institutional Deposits), uncommitted, revocable credit facilities extended to customers and other contractual payouts such as merchant payables, corporate incentives, etc. The key constituents of cash inflow for the Bank are remittances from card members, balances with banks, etc.

The LCR for the Bank for the quarter ending March 31, 2016 stood at 138.32% as against 85.44% for quarter ending March 31, 2015.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### Quantitative Disclosures

(Amount Rs. in '000)

		Average for the Quarter ended									
		March 31, 2016		December 31, 2015		September 30, 2015		June 30, 2015		March 31, 2015	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
<b>High Quality Liquid Assets</b>											
1	Total High Quality Liquid Assets (HQLA)		4,987,659		4,540,359		3,549,870		2,876,988		2,525,161
<b>Cash Outflows</b>											
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-	-	-
(i)	Stable deposits	-	-	-	-	-	-	-	-	-	-
(ii)	Less stable deposits	-	-	-	-	-	-	-	-	-	-
3	Unsecured wholesale funding, of which:	5,698,275	3,250,275	5,664,931	3,312,931	4,748,071	2,752,071	3,779,612	2,413,247	3,270,420	1,984,793
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	4,080,000	1,632,000	3,920,000	1,568,000	3,326,667	1,330,667	2,277,276	910,910	3,270,420	1,984,793
(iii)	Unsecured debt	1,618,275	1,618,275	1,744,931	1,744,931	1,421,404	1,421,404	1,502,336	1,502,336	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-	-	-
5	Additional requirements, of which	303,845	303,845	238,588	238,588	236,970	236,970	158,615	158,615	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	303,845	303,845	238,588	238,588	236,970	236,970	158,615	158,615	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	8,785,727	8,785,727	7,958,518	7,958,518	9,074,192	9,074,192	9,369,278	9,369,278	8,590,402	8,590,402
7	Other contingent funding obligations	32,824,597	1,641,230	30,635,143	1,531,757	28,933,241	1,446,662	26,817,718	1,340,886	24,928,241	1,246,412
8	<b>Total Cash Outflows</b>		<b>13,981,078</b>		<b>13,041,794</b>		<b>13,509,895</b>		<b>13,282,026</b>		<b>11,821,607</b>
<b>Cash Inflows</b>											
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	13,666,476	6,833,238	12,974,046	6,487,023	12,679,548	6,339,774	12,365,096	6,182,548	11,021,263	5,510,631
11	Other cash inflows	8,151,269	3,542,057	7,332,776	4,390,915	5,883,705	3,859,224	6,936,161	4,770,915	7,214,372	4,241,204
12	<b>Total Cash Inflows</b>	<b>21,817,745</b>	<b>10,375,296</b>	<b>20,306,822</b>	<b>10,877,938</b>	<b>18,563,253</b>	<b>10,198,998</b>	<b>19,301,257</b>	<b>10,953,463</b>	<b>18,235,635</b>	<b>9,751,835</b>
			<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>
21	<b>TOTAL HQLA</b>		4,987,659		4,540,359		3,549,870		2,876,988		2,525,161
22	<b>Total Net Cash Outflows*</b>		3,605,782		3,260,449		3,377,474		3,320,506		2,955,402
23	<b>Liquidity Coverage Ratio (%)</b>		138.32%		139.26%		105.10%		86.64%		85.44%

\* Higher of [25% of Total Cash Outflows] or [Total Cash Outflows less Total Cash Inflows]

Note: The average weighted and un-weighted amounts are calculated taking simple average for the months in the respective quarters.

#### r) Risk Category wise Country Exposure

Provision for country risk exposure in terms of RBI Circular DBOD.BP.BC.71/21.04.103/2002-03 dated June 17, 2004 is as follows:

(Amount Rs. in '000)

Risk Category	Exposure (Net) as at March 31, 2016	Provision as at March 31, 2016	Exposure (Net) as at March 31, 2015	Provision as at March 31, 2015
Insignificant	272,318	-	180,009	-
Low	35	-	18	-
Moderate	42	-	32	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
<b>Total</b>	<b>272,395</b>	<b>-</b>	<b>180,059</b>	<b>-</b>



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### s) Disclosure on Frauds

(Amount Rs. in '000)

Particulars	2015-16	2014-15
Number of frauds reported	1,119	1,213
Amount Involved	86,542	121,405
Amount Written-Off	71,566	50,542
Amount Recovered	14,976	70,863
Quantum of unamortized provision debited from other reserves	–	–

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

(i)	<b>Investments :</b>	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)	<b>Derivatives :</b>	Forward Rate Agreements / Interest Rate Swaps. Exchange Traded Interest Rate Derivatives. Disclosure on risk exposure in derivatives. Credit Default Swaps.
(iii)	<b>Asset Quality :</b>	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. Investment in Securities Receipts.
(iv)	<b>Exposures :</b>	Exposure to Real Estate Sector. Exposure to Capital Market.
(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)	Earnings per share	
(xiii)	Discontinuing Operations	
(xiv)	Unamortised Pension and Gratuity Liabilities.	
(xv)	Consolidated Financial Statements.	
(xvi)	Capital and Provisioning Requirement for Exposure to Entities with Unhedged Foreign Currency Exposure	
(xvii)	Interim Financial Reporting	

#### 2. Prior Period Item

During previous year 2014-15, certain charges, amounting to Rs 51,850 ('000), pertaining to period January 2014 to March 2014 was included in the previous year's Profit and Loss account. These charges were primarily in the nature of commission payable (issuer rate) on inbound transactions recorded on the global capture system (FINCADS), and were charged to the bank by American Express International Inc. (AEII) Singapore. Recording of these prior period expenses in the year ended March 31, 2015 resulted in an increase in loss by Rs 51,850 ('000), which would have been Rs 674,099 ('000), in case the expenses were charged by AEII Singapore in the correct period.

#### 3. Commission, exchange and brokerage (net)

Commission, exchange and brokerage is netted off with the amount shared with affiliates on overseas Card Member spend on the Bank's merchant and volume rebates amounting to INR 1,823,449 ('000) [2014-15: INR 1,619,209 ('000)].

#### 4. Estimated Useful Life of Fixed Assets

With effect from April 1, 2014, the estimated useful life of fixed assets has been revised as per Schedule II to Companies Act, 2013. Had the Bank continued with the previously assessed useful lives, charge for depreciation for the year ended March 31, 2015 would have been higher by INR 11,651 ('000), net book value of the fixed assets would have been lower by INR 11,651 ('000) and the loss for the year and other assets as at March 31, 2015 would have been higher by the same amount.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### 5. Deferred Taxes

As of March 31, 2016, in view of the losses of the current year and lack of virtual certainty supported by convincing evidence that sufficient taxable income would accrue in the immediate future, as a matter of prudence, the Bank has decided not to recognise Deferred Tax Assets as on March 31, 2016.

##### 6. Segment Reporting

The summary of the segmental information of the Bank for the Year ended 31st March, 2016 are given below –

(Amount in Rs. '000)

Segmentation	Banking Operations		Treasury		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Segment revenue	9,919,894	8,209,786	568,865	455,121	10,488,759	8,664,907
<b>Segment result</b>	<b>(164,890)</b>	<b>(636,134)</b>	<b>(86,429)</b>	<b>(89,511)</b>	<b>(251,319)</b>	<b>(725,645)</b>
Operating Profits/(Loss)					(251,319)	(725,645)
Income taxes					(47)	304
Extraordinary profit / (loss)						
<b>Net profit (loss)</b>					<b>(251,272)</b>	<b>(725,949)</b>
Other information :						
Segment assets	36,194,006	30,943,729	10,018,410	7,219,505	46,212,416	38,163,234
Unallocated assets (Taxes)					6,351	6,318
<b>Total assets</b>	<b>36,194,006</b>	<b>30,943,729</b>	<b>10,018,410</b>	<b>7,219,505</b>	<b>46,218,767</b>	<b>38,169,552</b>
Segment liabilities	36,200,357	30,950,047	10,018,410	7,219,505	46,218,767	38,169,552
Unallocated liabilities (Taxes)						-
<b>Total liabilities</b>	<b>36,200,357</b>	<b>30,950,047</b>	<b>10,018,410</b>	<b>7,219,505</b>	<b>46,218,767</b>	<b>38,169,552</b>
<b>Cost to acquire fixed assets</b>	<b>61,903</b>	<b>90,215</b>			<b>61,903</b>	<b>90,215</b>
<b>Depreciation</b>	<b>127,285</b>	<b>170,437</b>			<b>127,285</b>	<b>170,437</b>

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

##### 7. Related Party Disclosures

In the terms of the Accounting Standard 18 on 'Related Party Disclosures' issued by Institute of Chartered Accountants of India as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014 and the related guideline issued by the RBI, the details pertaining to related parties are as under:

##### 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) Private Limited American Express Services India Limited American Express Foreign Exchange Services India Limited American Express International Inc. Amex Bank Of Canada American Express Australia Limited 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., Limited American Express Europe Limited American Express (Malaysia) Sdn. Bhd. Loyalty Solutions and Research Private Limited Global Business Travel India Private Limited (Joint Venture)
4.	Subsidiaries/ Associates/ Joint Ventures	-
5.	Key Management Personnel **	Manoj Adlaka as Chief Executive Officer



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

The related party balances and transactions for the year ended March 31, 2016 are summarized as follows:

(Amount in Rs. '000)

Particulars	Year	Parent – Head Office		Total
		American Express Banking Corp, New York		
Borrowings	2015-16		4,550,000	<b>4,550,000</b>
	2014-15		1,250,000	<b>1,250,000</b>
<i>Maximum Outstanding</i>	2015-16		4,550,000	
	2014-15		1,250,000	

(Amount in Rs. '000)

Particulars	Year	Subsidiaries of Ultimate Holding Company										Total	
		American Express India Pvt Ltd.	American Express Limited	American Express Services India Ltd	American Express Travel Related Services Company Inc.	American Express Prepaid Card Management Corporation	American Express Global Business Travel	American Express Australia Ltd	American Express Europe Limited	Others			
<b>Deposits</b>	2015-16	10,250,000	-	-	-	-	-	-	-	-	-	-	<b>10,250,000</b>
	2014-15	8,910,000	-	-	-	-	-	-	-	-	-	27,000	<b>8,937,000</b>
<i>Maximum Outstanding</i>	2015-16	11,090,000	-	27,442	-	-	-	-	-	-	-	-	27,000
	2014-15	9,890,000	-	-	-	-	-	-	-	-	-	-	27,000
<b>Advances</b>	2015-16	340,521	-	1,182	-	-	-	1,912	-	-	-	-	<b>344,853</b>
	2014-15	198,540	-	619	-	-	-	16,465	-	-	-	-	<b>216,690</b>
<i>Maximum Outstanding</i>	2015-16	388,164	-	12,332	-	-	-	7,071	-	-	-	-	2,600
	2014-15	361,652	-	32,970	-	-	-	16,465	-	-	-	-	2,541
<b>Receivables</b>	2015-16	1,559	-	1	259,441	9,508	-	-	1,519	378	1,547	-	<b>273,955</b>
	2014-15	29,560	4,270	5	158,147	10,995	-	-	1,217	1,739	3,690	-	<b>209,623</b>
<b>Payables #</b>	2015-16	234,891	18,424	122,227	651,163	-	-	135,553	9,834	111,350	19,433	-	<b>1,302,875</b>
	2014-15	242,349	291,416	79,727	148,965	-	-	85,651	32,722	13	21,623	-	<b>902,467</b>
<b>Transfer of assets</b>	2015-16	1,999	-	227	-	-	-	-	-	-	-	-	<b>2,226</b>
	2014-15	5,924	-	-	-	-	-	-	-	-	-	-	<b>5,924</b>
<b>Interest Expense</b>	2015-16	688,262	-	33	-	-	-	-	-	-	-	529	<b>688,824</b>
	2014-15	625,015	-	-	-	-	-	-	-	-	-	2,029	<b>627,044</b>
<b>Payments by Related Party on Bank's Behalf/ Receipt by Bank on behalf of Related Party</b>	2015-16	293,493	-	-	-	-	-	-	-	-	-	-	<b>293,493</b>
	2014-15	239,954	-	-	-	-	-	-	-	-	-	-	<b>239,954</b>
<b>Revenue from Services Rendered</b>													
<b>Commission, exchange and brokerage (gross)</b>	2015-16	1,658	986,666	-	810,424	-	-	-	-	-	-	-	<b>1,798,748</b>
	2014-15	11,778	873,971	4	700,364	-	-	921	-	-	16	-	<b>1,587,053</b>
<b>Less: Volume Rebate and Issuer Rate Payable</b>	2015-16	-	(856,399)	-	(473,123)	-	-	-	(3,827)	(99,807)	(5,084)	-	<b>(1,438,240)</b>
	2014-15	-	(812,423)	-	-	-	-	-	(747,873)	-	-	-	<b>(1,560,297)</b>
<b>Miscellaneous Income</b>	2015-16	-	-	-	232,689	85,172	-	13,928	420	25,766	-	-	<b>357,975</b>
	2014-15	220	-	-	278,374	64,675	-	10,143	64	32,497	-	-	<b>385,973</b>
<b>Revenue from Services Rendered Total</b>	2015-16	1,658	130,267	-	569,991	85,172	-	10,101	(99,387)	20,682	-	-	<b>718,483</b>
	2014-15	11,998	61,547	4	978,738	64,675	-	921	(737,730)	64	32,513	-	<b>412,730</b>
<b>Cost of Services Received</b>													
<b>Business Support Cost (Gross)</b>	2015-16	867,685	-	1,050,330	735,246	-	-	35,200	-	12,834	-	-	<b>2,701,295</b>
	2014-15	623,039	-	770,008	919,073	-	-	61,453	-	41,133	-	-	<b>2,414,706</b>
<b>Other expenditure</b>	2015-16	-	-	-	1,117	-	-	23,473	-	22,201	-	-	<b>46,791</b>
	2014-15	8,206	-	-	4,670	-	-	24,705	-	37,250	-	-	<b>74,831</b>
<b>Rent, taxes and lighting</b>	2015-16	62,367	-	-	-	-	-	-	-	-	-	-	<b>62,367</b>
	2014-15	61,256	-	2,066	-	-	-	-	-	-	-	-	<b>63,322</b>
<b>Advertisement and Publicity</b>	2015-16	-	-	-	-	-	-	-	-	20,088	-	-	<b>20,088</b>
	2014-15	-	-	-	-	-	-	-	-	21,034	-	-	<b>21,034</b>
<b>Re-imbursements of cost to/from Related Party</b>	2015-16	55,473	(25,003)	-	(365,548)	-	-	-	-	-	-	-	<b>(335,078)</b>
	2014-15	85,603	(49,633)	-	(333,849)	-	-	-	-	-	-	-	<b>(297,879)</b>
<b>Cost of Services Received Total</b>	2015-16	985,525	(25,003)	1,050,330	370,815	-	-	23,473	35,200	55,123	-	-	<b>2,495,463</b>
	2014-15	778,104	(49,633)	772,074	589,894	-	-	24,705	61,453	99,418	-	-	<b>2,276,015</b>

\*\* No disclosure has been made in respect of Key Management Personnel, keeping in view the secrecy clauses and the provisions of the RBI guidelines.  
# Payables include amount with respect to settlements with overseas group entities on account of spends made by overseas/Indian card members in India/outside India. However, volume of such transactions is not considered for disclosure.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

##### 8. Other Liabilities include:

(Amount in Rs. '000)

Particulars	2015-16	2014-15
Provisions towards Standard Assets	118,585	92,546
Other Provisions*	108,199	100,428
Prepaid Cards	413,269	1,752,711

\*Includes Counter Cyclical Provisioning Buffer of Rs.88,500 ('000) (Previous Year Rs.88,500 ('000)).

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

##### 10. 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	2015-16	2014-15
Future minimum lease payments under non-cancellable Operating leases		
Not later than 1 year	105,016	111,673
Later than 1 year and not later than 5 years	115,614	78,011
Later than 5 years	–	–
Lease payments recognized in the Profit and Loss Account in respect of operating leases	122,130	107,985

##### 11. Provision, Contingent Liabilities and Contingent Assets

Movement in provision for membership reward points:

(Amount in Rs. '000)

Particulars	2015-16	2014-15
Opening	1,181,157	998,035
Additions	1,544,928	1,219,454
Utilisations/Write backs	1,392,819	1,036,332
<b>Closing Balance</b>	<b>1,333,266</b>	<b>1,181,157</b>

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

During the previous year, enhancements were made to the methodology used by the Bank to estimate the membership reward points that are ultimately expected to be redeemed. The Bank recorded an expense amounting to Rs 245,859 ('000) to reflect enhancements to the process that estimates future redemptions of membership rewards points by the Card Members. This increase in rewards expense recognizes Card Members' increased engagement with the Membership Rewards program. Had this change not taken place, the loss for the year 2014-15 would have been lower by Rs 245,859 ('000) and the balance of other assets as on March 31, 2015 would have been lower by Rs 245,859 ('000).

##### 12. Taxes

The income tax expenses comprise the following:

(Amount in Rs. '000)

Particulars	2015-16	2014-15
Wealth Tax	(47)	304
Deferred Income tax (benefit) / expense	–	–
<b>Total</b>	<b>(47)</b>	<b>304</b>

##### 13. Description of contingent liabilities

Contingent Liabilities	Brief Description
Claims against the bank not acknowledged as debts*	The Bank is a party to various legal proceedings and direct/indirect tax assessments in the normal course of business. The Bank does not expect the outcome of any of legal proceedings to have a material adverse effect on the Bank's financial condition, result of operations and cash flows. Income tax matters for which appeal is pending having tax impact of INR 217,658 ('000) has been disputed by bank and hence disclosed as contingent liability.

\* Also refer Schedule 12 – Contingent Liabilities.



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

#### 14. 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:	2015-16	2014-15
	Provident fund	30,192	37,517
	Superannuation	1,268	2,511
	<b>TOTAL</b>	<b>31,460</b>	<b>40,028</b>

#### 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 March 31, 2016	As at March 31, 2015
<b>I</b>	<b>Assumptions</b>		
	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	7.80%	7.80%
	Rate of increase in compensation	Not Applicable	Not Applicable
	Rate of return (expected) on plan assets	7.50%	7.50%
<b>II</b>	<b>Changes in present value of obligations</b>		
	Defined Benefit Obligation at beginning of the Year	33,559	24,023
	Interest Cost	2,571	2,195
	Current Service Cost	-	-
	Actuarial Losses/(Gains)	584	7,936
	Benefit Payments	(1,192)	(595)
	Defined Benefit Obligation at end of the Year	35,522	33,559
<b>III</b>	<b>Changes in fair value of plan assets</b>		
	Fair Value of Plan Assets at beginning of the Year	70,747	70,769
	Expected return on plan assets	5,261	5,285
	Actuarial Gain / (Loss)	(2,150)	(4,712)
	Benefit Payments	(1,192)	(595)
	Fair Value of Plan Assets at end of the Year	72,666	70,747
<b>IV</b>	<b>Amounts to be recognised in the Balance Sheet</b>		
	Defined Benefit Obligation at the end of the Year	35,522	33,559
	Fair Value of Plan Assets at the end of the Year	72,666	70,747
	Amount not recognised as an Asset	-	-
	Surplus Assets	37,144	37,188
<b>V</b>	<b>Expense Recognised</b>	-	-

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





# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

	As at March 31, 2016	As at March 31, 2015
	<b>Percentage</b>	
Government of India securities (Central and State)	42.99	45.24
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	56.22	54.76
Others	0.79	–
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Experience Adjustments	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Defined Benefit Obligation at end of the period	(35,522)	(33,559)	(24,023)	(29,667)	(26,804)
Plan Asset as at the end of the period	72,666	70,747	70,769	72,164	78,558
Funded Status	37,144	37,188	46,746	42,497	51,754
Experience Gain/(Loss) adjustments on plan liabilities	(584)	(2,680)	(1,667)	865	(372)
Experience Gain/(Loss) adjustments on plan assets	(2,150)	(4,712)	(1,601)	(11,316)	3,842
Actuarial Gain/(Loss) due to change on assumptions	-	(5,256)	4,466	(2,398)	2,449

(Amount in Rs. '000)

<b>C</b>	<b>Contribution towards Gratuity:</b> The above employee benefit is covered under a Gratuity Trust and as detailed under Paragraph III 9 (c) of Schedule 18 above.
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#### 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 March 31, 2016	As at March 31, 2015
<b>I Assumptions</b>		
Mortality	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
Discount Rate	7.80%	7.80%
Rate of increase in compensation	10.00%	10.00%
Rate of return (expected) on plan assets	7.50%	7.50%
Withdrawal rates	Up to age 30 - 20% age 31-40 - 12% age 41-50 - 10% age 51 and above - 5%	Up to age 30 - 20% age 31-40 - 12% age 41-50 - 10% age 51 and above - 5%
<b>II Changes in present value of obligations</b>		
DBO at beginning of the Year	133,030	110,504
Interest Cost	9,561	9,745
Current Service Cost	15,302	11,819
Benefits Paid	(20,897)	(10,308)
Actuarial Losses/(Gains) on obligation	2,601	11,270
Liabilities extinguished on settlements	-	-
Liability released due to employee transfer	(14,025)	-
DBO at end of the Year	125,572	133,030



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

(Amount in Rs. '000)

		As at March 31, 2016	As at March 31, 2015
<b>III</b>	<b>Changes in fair value of plan assets</b>		
	Fair Value of Plan Assets at beginning of the Year	42,550	44,841
	Expected Return of Plan Assets	2,689	3,164
	Contributions	30,000	5,000
	Benefits paid	(20,897)	(10,308)
	Assets distributed in settlements	-	-
	Actuarial gain / (loss) on plan assets	(464)	(147)
	Fair Value of Plan Assets at end of the Year	53,878	42,550
<b>IV</b>	<b>Amounts to be recognised in the Balance Sheet</b>		
	Present Value of DBO at the end of the Year	125,572	133,030
	Fair Value of Plan Assets at end of the Year	53,878	42,550
	(Funded)/Unfunded Status	(71,694)	(90,480)
	Unrecognised Past Service Costs	-	-
	Net Asset /(Liability) recognised in the Balance Sheet	(71,694)	(90,480)
<b>V</b>	<b>Expense Recognised</b>		
	Current Service Cost	15,302	11,819
	Interest Cost	9,561	9,745
	Expected Return on Plan Assets	(2,689)	(3,164)
	Net Actuarial (Gain) /Loss recognised for the Year	3,065	11,417
	Expense recognised in the statement of P&L A/c	25,239	29,817

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 March 31, 2016	As at March 31, 2015
	Percentage	
Government of India securities (Central and State)	13.00	16.56
High quality corporate Bonds (Including Public Sector Bonds)	-	70.44
Equity shares	-	-
Cash (Including Special Deposits)	87.00	7.45
Others	-	5.55
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Experience Adjustments	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Defined Benefit Obligation at end of the period	(125,572)	(133,030)	(110,504)	(84,276)	(64,897)
Plan Asset as at the end of the period	53,878	42,550	44,841	43,965	43,611
Funded Status	(71,694)	(90,480)	(65,663)	(40,311)	(21,286)
Experience Gain/(Loss) adjustments on plan liabilities	(2,601)	14,869	(6,423)	(5,782)	(7,095)
Experience Gain/(Loss) adjustments on plan assets	(464)	(147)	(137)	2,895	1,168
Actuarial Gain/(Loss) due to change on assumptions	-	(26,139)	(9,882)	(5,572)	(305)



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

<b>D</b>	<b>Leave Encashment</b>
	The amount charged to Profit and Loss Account during the year towards Leave Encashment and compensated absences Rs. 9,312 thousand. (Previous year Rs. 26,871 thousand).
	The liability for leave encashment and compensated absences as on March 31, 2016 is Rs. 62,706 thousand (Previous Year Rs. 66,554 thousand).

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

To the extent of the information received by the Bank from its vendors, the below are the transactions with suppliers as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year

(Amount in Rs. '000)

Particulars		2015-16	2014-15
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	6	4
4	Interest due and payable (under the MSMED Act 2006) which have not been paid (covering all payments)	-	-
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)	-	-
6	Details on payments made in respect of outstanding as at Sl. No. 1 above.	-	-

#### 16. Details of fees / remuneration received in respect of Bancassurance business:

(Amount in Rs. '000)

Particulars	2015-16	2014-15
Others - Income from Corporate Agency Business		
- For selling life insurance products	7,514	3,604
- For selling non-life insurance products	66,629	60,467

#### 17. 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	2015-16	2014-15
1	(i) Number of employees having received a variable remuneration award during the financial year.	4	5
	(ii) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
	(iii) Total amount of deferred remuneration paid out in the financial year	-	-



# AMERICAN EXPRESS BANKING CORP.

## INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

(Amount in Rs. '000)

SI No.	Particulars	2015-16	2014-15
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		
	Fixed	39,691	35,496
	Variable	37,922	10,342
	Deferred	-	-
	Non-deferred	37,922	10,342
3	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
	(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	-	-
	(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
4	Retirals (PF, Gratuity, SA)	2,634	2,354

Variable pay included above is on cash basis i.e. the year in which the same is paid out.

Compensation for CEO is as approved by the RBI and paid by the Bank to the CEO. Compensation for other risk takers is as approved by the Bank.

Charges for ESOPs, issued by the ultimate parent company to the key risk takers, has not been considered for the disclosure purpose as there is no charge to Profit and Loss Account of the Bank.

#### 18. Disclosure on Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is not required to spend towards Corporate Social Responsibility (CSR) due to losses in previous three years.

#### 19. Auditors' Remuneration [excluding service tax]

(Amount in Rs. '000)

Particulars	2015-16	2014-15
As Auditors:		
- Statutory Audit	4,000	3,200
- Tax Audit	350	350
- Certificates	450	450
- Out of Pocket Expenses	945	894
<b>Total</b>	<b>5,745</b>	<b>4,894</b>

#### 20. 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 Chartered Accountants LLP**

Firm Registration Number 012754N/N500016

Chartered Accountants

Sd/-

**Sharad Vasant**

Partner

Membership No. 101119

For and on behalf of

**American Express Banking Corp.- India Branch**

Sd/-

**Manoj Adlakha**

Chief Executive Officer

Sd/-

**Neeshant Upadhya**

Financial Controller

Place: Mumbai

Date: June 24, 2016

Place: Gurgaon

Date: June 23, 2016