

Financial Statements

AMERICAN EXPRESS BANKING CORP.

(INDIA BRANCH)

Year ended March 31, 2018



AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

Auditor's Report on the Financial Statements [Under Section 30 of the Banking Regulation Act, 1949]

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

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of the American Express Banking Corp. - India Branch ('the Bank'), which comprise the Balance Sheet as at March 31, 2018 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2 The Bank's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and the circulars, guidelines and directions issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's 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, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
- 5 We conducted our audit of the Bank in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 misstatements.
- 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 7 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on financial statements.

Opinion

- 8 In our opinion and to the best of our information and according to the explanations given, the said financials statements together with notes thereon give full information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2018;
 - (b) in case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date;
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.



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Other Matters

- 9 The Statutory Audit for the preceding financial year was not carried out by us. The figures, numbers and details pertaining to previous year have been traced from the financial statements of the previous year audited by Price Waterhouse Chartered Accountant LLP, Chartered Accountants vide their report dated June 25, 2017 who expressed an unmodified opinion on those statements

Report on Other Legal and Regulatory Requirements

- 10 The Balance Sheet and Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
- 11 As required by Section 30(3) of the Banking Regulation Act, 1949, we report that:
- I. We have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - II. The transactions of the Bank, which have come to our notice have been within the powers of the Bank; and
 - III. Since the bank is having only one branch, the question on reporting the number of branches audited by us and the manner of audit thereon does not arise.
- 12 As required by Section 143(3) of the Act, we 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 backup of the books of accounts and other paper maintained in electronic mode has been maintained on servers physically located outside India;
 - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;
 - (e) Reporting requirement pursuant to provision of Section 164 (2) of the Companies Act, 2013 are not applicable considering the Bank is a branch of American Express Banking Corp which is incorporated in United States of America with limited liability;
 - (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" to this report; and
 - (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 information and according to the explanations given to us:
 - i The Bank has disclosed the impact, if any, of pending litigations on its financial positions in its financial statements as at March 31, 2018; Refer Schedule 12 and Note IV. 11 of Schedule 18 to the financial statements;
 - ii The Bank has made adequate provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer note IV. 1 (g) of schedule 18 to the financial statements;
 - iii The Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund;
 - iv The disclosure requirements as envisaged in Notification G.S.R 308(E) dated March 30, 2017 is not applicable to the Bank. - Refer note IV. 1 (y) (ix) of schedule 18 to the financial statements.

For **Khimji Kunverji & Co**
Chartered Accountants
FRN: 105146W

Gautam V Shah
Partner (F-117348)

Mumbai
Date: June 19, 2018



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Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of American Express Banking Corp. - India Branch ('the Bank'), as at March 31, 2018 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

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 Companies Act, 2013.

Auditors' Responsibility

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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, 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.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

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

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, 2018, 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 ICAI 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 1 of Schedule 18 of the financial statements wherein it has been stated that the backup of the books of accounts and other paper maintained in electronic mode has been maintained on servers physically located outside India

For **Khimji Kunverji & Co**
Chartered Accountants
FRN: 105146W

Gautam V Shah
Partner (F-117348)

Mumbai
Date: June 19, 2018



AMERICAN EXPRESS BANKING CORP.

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(INCORPORATED IN THE UNITED STATES OF AMERICA)

BALANCE SHEET AS AT MARCH 31, 2018			PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018				
(Amount in INR '000)			(Amount in INR. '000)				
Schedule	As at March 31, 2018	As at March 31, 2017	Schedule	Year ended March 31, 2018	Year ended March 31, 2017		
CAPITAL AND LIABILITIES			INCOME				
Capital	1	14,238,924	11,474,884	Interest Earned	13	3,633,676	2,727,970
Reserves and Surplus	2	402,410	199,384	Other Income	14	12,374,506	10,816,357
Deposits	3	16,105,638	14,291,922	Total		16,008,182	13,544,327
Borrowings	4	17,039,801	9,643,771	EXPENDITURE			
Other Liabilities and Provisions	5	29,560,374	25,652,949	Interest Expended	15	1,258,108	1,100,428
Total		77,347,147	61,262,910	Operating Expenses	16	12,256,795	10,584,103
ASSETS				Provisions and Contingencies	17	1,681,175	1,369,500
Cash and Balances with Reserve Bank of India	6	1,425,697	1,385,697	Total		15,196,078	13,054,031
Balances with Banks and Money at Call and Short Notice	7	1,463,608	957,156	PROFIT / (LOSS)			
Investments	8	18,638,151	16,277,840	Net Profit / (Loss) for the Year		812,104	490,296
Advances	9	50,981,045	35,639,568	Profit / (Loss) brought forward		(3,573,115)	(3,940,837)
Fixed Assets	10	280,102	323,280			(2,761,011)	(3,450,541)
Other Assets	11	4,558,544	6,679,369	APPROPRIATIONS			
Total		77,347,147	61,262,910	Transfer to Statutory Reserve		203,026	122,574
Contingent Liabilities	12	828,661	429,370	Transfer to Other Reserves		-	-
Bills for Collection		-	-	Transfer to Government / proposed dividend		-	-
Significant Accounting Policies and Notes to Financial Statements	18			Balance carried over to Balance Sheet		(2,964,037)	(3,573,115)
						(2,761,011)	(3,450,541)
				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 **Khimji Kunverji & Co.**
Chartered Accountants
Firm Registration Number: 105146W

Gautam V. Shah
Partner
Membership No. F-117348

Place: Mumbai
Date: June 22, 2018

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

Manoj Adlakha
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Gurugram
Date: June 19, 2018



AMERICAN EXPRESS BANKING CORP.

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(INCORPORATED IN THE UNITED STATES OF AMERICA)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(Amount in INR. '000)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash Flow from Operating activities		
Net profit/(loss) before taxes	812,104	490,296
Adjustments for :		
Provision for standard advances	162,598	36,984
Provision for non-performing advances	187,030	27,483
Depreciation on assets	118,495	112,283
Net (profit)/loss on sale of land, building and other assets	(1,215)	(541)
Operating profit before working capital changes	1,279,012	666,505
(Increase)/decrease in investments	(2,360,311)	(7,467,229)
(Increase)/decrease in advances	(15,528,507)	(5,772,990)
Increase/(decrease) in deposits	1,813,716	3,503,190
(Increase)/decrease in other assets	1,580,313	(1,545,551)
Increase/(decrease) in other liabilities and provisions	3,744,827	13,567,790
(Taxes paid)/(Taxes deducted at source)/Refund received [net]	(68,566)	(49,957)
A Net Cash Flow (used in)/from operating activities	<u>(9,539,516)</u>	<u>2,901,758</u>
Cash Flow from Investing activities		
Fixed assets purchased	(78,593)	(150,553)
Proceeds from sale of fixed assets	4,491	10,410
B Net Cash Flow (used in)/from Investing activities	<u>(74,102)</u>	<u>(140,143)</u>
Cash Flow from Financing activities		
Infusion of capital	2,764,040	1,505,240
Proceeds/(Repayment) from/of Borrowings	7,396,030	(3,691,635)
Proceeds from Subordinate Debt	-	-
C Net Cash Flow from/(used in)Financing activities	<u>10,160,070</u>	<u>(2,186,395)</u>
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	<u>546,452</u>	<u>575,220</u>
Cash and cash equivalents at beginning of year	2,342,853	1,767,633
Cash and cash equivalents at end of year	2,889,305	2,342,853
Increase/(decrease) in cash and cash equivalents	<u>546,452</u>	<u>575,220</u>

Notes to the Cash Flow Statement

- Cash and cash equivalents represents cash and balances with banks, balance with RBI as disclosed in Schedule 6 and 7
- 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 **Khimji Kunverji & Co.**
Chartered Accountants
Firm Registration Number: 105146W

Gautam V. Shah
Partner
Membership No. F-117348

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

Manoj Adlakha
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Mumbai
Date: June 22, 2018

Place: Gurugram
Date: June 19, 2018



AMERICAN EXPRESS BANKING CORP.

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SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(Amount in INR. '000)			(Amount in INR. '000)		
	As at March 31, 2018	As at March 31, 2017		As at March 31, 2018	As at March 31, 2017
SCHEDULE 1 – CAPITAL			SCHEDULE 4 – BORROWINGS		
Amount of deposit kept with RBI under section 11 (2) of the Banking Regulation Act, 1949 as per contra.	201,384	78,810	I. BORROWINGS IN INDIA		
	<u>201,384</u>	<u>78,810</u>	Reserve Bank of India	–	–
HEAD OFFICE ACCOUNT			Other banks	12,489,801	5,093,771
Opening balance	11,474,884	9,969,644			–
Additions during the year	2,764,040	1,505,240	II. BORROWINGS OUTSIDE INDIA	4,550,000	4,550,000
Closing balance	<u>14,238,924</u>	<u>11,474,884</u>	Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency		
			[Refer Note IV. 1. b of Schedule 18]		
SCHEDULE 2 – RESERVES AND SURPLUS				<u>17,039,801</u>	<u>9,643,771</u>
I. STATUTORY RESERVES			Secured borrowings included in I and II above	Nil	Nil
Opening balance	199,384	76,810	SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
Additions during the year	203,026	122,574	I. Bills payable	–	–
Closing balance	<u>402,410</u>	<u>199,384</u>	II. Inter-office adjustments (net)	–	–
II. CAPITAL RESERVES			III. Interest accrued	189,486	139,330
Opening balance	–	–	IV. Others (including provisions)*	29,370,888	25,513,619
Additions during the year	–	–		<u>29,560,374</u>	<u>25,652,949</u>
Closing balance	–	–			
III. SHARE PREMIUM			* Refer Note IV. 6 of Schedule 18		
Opening balance	–	–	SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Additions during the year	–	–	I. Cash in hand (including foreign currency notes)	–	–
Closing balance	–	–	II. Balances with Reserve Bank of India		
IV. REVENUE AND OTHER RESERVES			i) In Current account	1,425,697	1,385,697
Opening balance	–	–	ii) In Other accounts	–	–
Additions during the year	–	–		<u>1,425,697</u>	<u>1,385,697</u>
Closing balance	–	–	SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
V. Balance of Profit and Loss Account	–	–	I. In India		
	<u>402,410</u>	<u>199,384</u>	Balances with banks		
SCHEDULE 3 - DEPOSITS			i) In Current Accounts	1,463,608	957,156
A. In India			ii) In Other Deposit Accounts	–	–
I. DEMAND DEPOSITS			Money at call and short notice		
From banks	–	–	i) With banks	–	–
From others	–	–	ii) With other institutions	–	–
II. SAVINGS BANK DEPOSITS	–	–		<u>1,463,608</u>	<u>957,156</u>
III. TERM DEPOSITS			II. Outside India		
From banks	–	–	i) In Current Accounts	–	–
From others (Institutional)	16,105,638	14,291,922	ii) In Other Deposit Accounts	–	–
	<u>16,105,638</u>	<u>14,291,922</u>	iii) Money at call and short notice	–	–
B. (i) Deposits of branches in India	16,105,638	14,291,922		<u>1,463,608</u>	<u>957,156</u>
(ii) Deposits of branches outside India	–	–			
	<u>16,105,638</u>	<u>14,291,922</u>			



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SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(Amount in INR. '000)			(Amount in INR. '000)		
	As at March 31, 2018	As at March 31, 2017		As at March 31, 2018	As at March 31, 2017
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 – FIXED ASSETS		
I. Investment in India in			I. PREMISES		
i) Government Securities (Treasury Bills)	18,638,151	16,277,840	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	–	–		–	–
v) Subsidiaries and/or joint ventures	–	–	Depreciation to date	–	–
vi) Others	–	–	Total Net Book Value I	–	–
	18,638,151	16,277,840			
II. Investment outside India in			II. OTHER FIXED ASSETS (Including Furniture and Fixtures)*		
i) Government Securities (including local authorities)	–	–	At cost as on March 31 of the preceding year	1,783,150	1,711,193
ii) Subsidiaries and/or joint ventures abroad	–	–	Additions during the year	78,593	150,553
iii) Others	–	–	Deductions during the year	(296,868)	(78,596)
	18,638,151	16,277,840		1,564,875	1,783,150
			Depreciation to date	(1,284,773)	(1,459,870)
			Total Net Book Value II	280,102	323,280
			Net Book Value I and II	280,102	323,280
			* Refer Note III. 7 of Schedule 18		
SCHEDULE 9 – ADVANCES			SCHEDULE 11 – OTHER ASSETS		
A. i) Bills purchased and discounted	–	–	I. Inter-office adjustments (net)	–	–
ii) Cash credits, overdraft and loan repayable on demand	50,980,951	35,639,454	II. Interest accrued	120,120	102,563
iii) Term loans - Staff	94	114	III. Tax paid in advance/ tax deducted at source	124,874	56,308
	50,981,045	35,639,568	IV. Stationery and Stamps	–	–
B. i) Secured by tangible assets (Secured by Fixed Deposits)	1,772,821	952,896	V. Non-banking assets acquired in satisfaction of claims	–	–
ii) Covered by bank/ governments guarantees	1,438,541	1,146,077	VI. Deferred tax asset	–	–
iii) Unsecured	47,769,683	33,540,595	VII. Others (Including Debit Balance in Profit and Loss Account Rs. 2,964,037 ('000) - Previous year Rs. 3,573,115 ('000))	4,313,550	6,520,498
	50,981,045	35,639,568		4,558,544	6,679,369
C. I. Advances in India			SCHEDULE 12 – CONTINGENT LIABILITIES		
i) Priority sector *	–	–	I. Claims against the bank not acknowledged as debts	–	–
ii) Public sector	–	–	II. Liability for partly paid investments	–	–
iii) Banks	–	–	III. Liability on account of outstanding forward exchange contracts	–	–
iv) Others	50,981,045	35,639,568	IV. Guarantees given on behalf of constituents		
	50,981,045	35,639,568	a) In India	–	–
II. Advances Outside India			b) Outside India	–	–
i) Due from banks	–	–	V. Acceptances, endorsements and other obligations	–	–
ii) Due from others			VI. Other items for which the bank is contingently liable	828,661	429,370
(a) Bills purchased and discounted	–	–		828,661	429,370
(b) Syndicated loans	–	–			
(c) Others	–	–			
	50,981,045	35,639,568			

* 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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SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

	(Amount in INR. '000)			(Amount in INR. '000)	
	Year ended March 31, 2018	Year ended March 31, 2017		Year ended March 31, 2018	Year ended March 31, 2017
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 16 – OPERATING EXPENSES		
Interest/discount on advances/bills	2,591,378	1,889,912	Payments to and provisions for employees	1,336,210	1,212,088
Income on investments	1,042,298	838,058	Rent, taxes and lighting	164,185	145,029
Interest on balances with the Reserve Bank of India and other inter-bank funds	–	–	Printing and stationery	107,174	82,894
Others	–	–	Advertisement and publicity	5,608,524	4,889,480
	<u>3,633,676</u>	<u>2,727,970</u>	Depreciation on Bank's property	118,495	112,283
SCHEDULE 14 – OTHER INCOME			Director's fee, allowances and expenses	–	–
Commission, exchange and brokerage (net) [Refer Note IV.2 of Schedule 18]	11,731,876	10,120,680	Auditors' fees and expenses	4,468	6,095
Net Profit/(Loss) on sale of investments	41	109	[Refer Note IV. 17 of Schedule 18]		
Net Profit/(Loss) on revaluation of investments	–	–	Law charges	10,138	17,265
Profit on sale of land, building and other assets	1,982	2,695	Postage, telegram, telephones etc.	204,147	189,646
Less: Loss on sale of land, building and other assets	(767)	(2,154)	Repairs and maintenance	69,636	85,871
Net profit on exchange transactions	–	–	Insurance	17,181	12,764
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	–	–	Business Support Cost (net)	2,777,715	2,776,671
Miscellaneous Income	641,374	695,027	Other expenditure	1,838,922	1,054,017
	<u>12,374,506</u>	<u>10,816,357</u>		<u>12,256,795</u>	<u>10,584,103</u>
SCHEDULE 15 – INTEREST EXPENDED			SCHEDULE 17 – PROVISIONS AND CONTINGENCIES*		
Interest on deposits	814,462	776,198	Depreciation in the value of securities	–	–
Interest on Reserve Bank of India/ interbank borrowings	443,646	324,230	Provision for advances and receivables	1,681,175	1,369,500
Others	–	–	Provision for income tax and wealth tax :		
	<u>1,258,108</u>	<u>1,100,428</u>	Wealth Tax	–	–
			Fringe Benefit Tax	–	–
			Deferred Income Tax	–	–
				<u>1,681,175</u>	<u>1,369,500</u>
			* Refer Note IV.1.g 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, 2018 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, distribute traveller cheques and accept institutional deposits. In line with the market practice and the RBI Guidelines, the bank issues credit 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, 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 and Companies (Accounting Standards) Amendment Rules, 2016 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



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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 card fees, net of direct card acquisition costs 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. Any subsequent change in classification is done as per RBI norms. As on date, all the investments are classified as 'Available for Sale'.

(ii) **Valuation**

Treasury Bills, being discounted instruments are valued at carrying cost as per RBI guidelines.

(iii) **Acquisition Cost**

Brokerage, commission, etc., paid at the time of acquisition of securities are charged to Profit and Loss Account.

(iv) **Disposal of Investments**

Profit or loss on sale of investments is recognised in the profit and loss account on trade/settlement date.

6. **Advances**

Loans and Advances comprise card outstanding and loans to staff. Loans and Advances are stated net of specific provision made towards Non-Performing Assets (NPAs). 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. The interest and other income on non performing assets is not recognised as income until realised.

Provision for Standard Assets and Unhedged Foreign Currency Exposure 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 210 days past billing from the due date. Accounts classified as doubtful are provided at 100% till written off. Accelerated write off is effected for card receivables which are due for less than 210 days from bill generation date, where it is evident that the outstanding amount is unlikely to be recovered.

Net Receivables from/payables to overseas group entities on account of merchant payments made for the spends made by overseas/ Indian card members in India/overseas, have been classified under Other Assets /Other Liabilities in the Financial Statements.



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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 the 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 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/ Compensated Absences

The Bank provides for leave encashment/compensated absences 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.



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

10. Income Taxes

Income tax expense comprises of the current tax, the net change in the deferred tax asset and the deferred tax liability during the year. Current tax is determined as the amount of tax payable in respect of taxable income for the year on the basis of the provisions of the Income Tax Act, 1961.

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 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, balance with RBI, 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.



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

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, 2018, the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) (including capital conservation buffer of 1.875%) of 10.875%. Further, within this overall capital requirement, the Bank is also required to maintain a Minimum Common Equity Tier 1 (including capital conservation buffer of 1.875%) of 7.375% 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.

Particulars	2017-18	2016-17
Common Equity Tier 1 capital ratio (%)	12.59%	13.02%
Tier I Capital Ratio (%)	12.59%	13.02%
Tier II Capital Ratio (%)	5.35%	7.71%
Total Capital Ratio (CRAR) (%)	17.94%	20.73%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of equity capital raised		
– Head Office Funds (Amount Rs. in '000)	2,764,040	1,505,240
Amount of additional Tier 1 capital raised	–	–
Amount of additional Tier 2 capital raised of which -	–	–
– Debt Capital instrument: (Amount in Rs. '000)	–	–
– Preference Share Capital Instruments	–	–

b) Subordinated Debt - Tier 2 Debt Capital Raised in the form of Head Office Borrowings in Foreign Currency:

Schedule 4 – Borrowings includes an amount of Rs. 3,300,000 and Rs. 1,250,000 thousands pertaining to Tier 2 debt capital raised in the form of Head Office borrowings in foreign currency during 2015-16 and 2013-14 respectively from Head Office. Details of the Head Office borrowings are as under–

(Amount in Rs. '000)

Particulars	2017-18		2016-17	
Date of Borrowing	1-Nov-2013	27-Nov-2015	1-Nov-2013	27-Nov-2015
Rate of Interest	Interest Free	Interest Free	Interest Free	Interest Free
Amount (INR '000)	1,250,000	3,300,000	1,250,000	3,300,000
Date of Repayment	1-Nov-2023	27-Nov-2025	1-Nov-2023	27-Nov-2025
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. 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-2024.	After completion of 5 years from the Issuance date (1-Nov-2018), with a prior notice of 120 days to the Lender. 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-2023.

c) Business / Information Ratios:

Particulars	2017-18	2016-17
a. Interest income as a percentage to working funds (%)	5.68	5.31
b. Non-interest income as a percentage to working funds (%)	19.34	20.22
c. Operating profit as a percentage to working funds (%)	3.89	3.62
d. Return on assets (%)	1.27	0.96
e. Business (deposits plus advances) per employee (Amount in Rs. '000)	87,234	74,224
f. Profit/(loss) per employee (Amount in Rs. '000)	1,263	801

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.



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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 in Rs. '000)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 Days & upto 2 months	Over 2 Months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 years	Over 1 year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
Deposits -												
Current Year	–	431,971	206,459	2,430,506	2,402,821	2,320,891	5,498,588	2,814,402	–	–	–	16,105,638
Previous Year	–	523,000	330,824	1,424,894	3,416,022	2,760,316	5,159,083	667,783	10,000	–	–	14,291,922
Advances -												
Current Year	1,254,354	7,526,123	8,780,477	20,069,661	4,070,115	1,063,392	2,598,737	1,306,478	3,624,316	385,565	301,827	50,981,045
Previous Year	985,831	5,914,988	6,900,820	13,925,966	1,864,903	1,864,902	1,231,701	781,038	1,970,199	199,220	–	35,639,568
Investments -												
Current Year	13,095,291	720,435	297,992	178,726	733,804	434,037	937,753	1,580,526	3,474	1,122	654,991	18,638,151
Previous Year	10,458,077	726,708	751,446	543,834	720,448	464,076	826,516	723,433	294,229	–	769,073	16,277,840
Borrowings -												
Current Year	278,832	–	–	–	1,800,000	1,000,000	1,800,000	7,610,969	–	–	4,550,000	17,039,801
Previous Year	232,792	–	–	–	1,000,000	–	1,000,000	2,860,979	–	–	4,550,000	9,643,771
Foreign Currency Assets –												
Current Year	–	–	–	722	–	–	–	–	–	–	–	722
Previous Year	–	–	–	600	–	2	–	–	–	–	–	602
Foreign Currency Liabilities –												
Current Year	226,915	543,511	1,640,169	3,570,166	6,859,854	2,461,648	574,230	–	–	–	4,550,000	20,426,493
Previous Year	202,152	654,931	1,405,038	3,225,185	5,182,440	–	–	439,256	–	–	4,550,000	15,659,002

e) Exposure to real estate

(Amount in Rs. '000)

Particulars	2017-18
a) Direct exposure	466,130
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	–
(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estate Others	466,130
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures– a. Residential b. Commercial Real Estate	–
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	–
Total Exposure to Real Estate Sector*	466,130

* During the year, the bank has enhanced the process of identifying and reporting exposure to Real Estate Sector. Accordingly, disclosure is made in current year on prospective basis.



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f) Exposure to Capital Market

(Amount in Rs. '000)

Particulars	2017-18
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	–
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	–
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ` does not fully cover the advances;	–
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	77,365
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–
(vii) bridge loans to companies against expected equity flows / issues;	–
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–
(ix) financing to stockbrokers for margin trading;	–
(x) all exposures to Venture Capital Funds (both registered and unregistered)	–
Total Exposure to Capital Market*	77,365

* During the year, the bank has enhanced the process of identifying and reporting exposure to Capital Market Sector. Accordingly, disclosure is made in current year on prospective basis.

g) Provisions and Contingencies:

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Provision for depreciation on Investment	–	–
Provision towards Non Performing Assets	187,030	27,483
Provision towards Standard Assets	162,598	36,984
Write-offs	1,206,689	1,224,963
Others	124,858	80,070
Provision made towards Income Tax, Wealth Tax and Deferred Tax	–	–
TOTAL	1,681,175	1,369,500

h) Investments

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Gross value of Investments		
In India	18,638,151	16,277,840
Outside India	–	–
Provision for depreciation		
In India	–	–
Outside India	–	–
Net value of investments		
In India	18,638,151	16,277,840
Outside India	–	–



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

(Amount in Rs. '000)

Particulars	2017-18	2016-17
(i) Net NPAs to Net Advances (%)	0.76%	0.56%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	475,093	496,326
(b) Additions during the year	2,654,029	2,095,655
(c) Reductions during the year	2,280,632	2,116,888
(d) Closing balance	848,490	475,093
(iii) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	275,988	248,505
(b) Provisions made during the year	1,516,825	1,087,477
(c) Write off/ write back of excess provision	1,329,795	1,059,994
(d) Closing balance	463,018	275,988
(iv) Movement of Net NPAs		
(a) Opening balance	199,105	247,821
(b) Additions during the year	1,137,204	1,008,178
(c) Reductions during the year	950,837	1,056,894
(d) Closing balance	385,472	199,105

j) Category-wise NPAs (funded)

(Amount in Rs. '000)

Non-performing asset category	2017-18		2016-17	
	Gross NPAs	Provisions	Gross NPAs	Provisions
Sub standard	759,221	373,749	414,091	214,986
Doubtful	89,269	89,269	–	–
Loss	–	–	61,002	61,002
Total	848,490	463,018	475,093	275,988

k) 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.

l) Disclosure of complaints:

Customer Complaints

(Amount in Rs. '000)

	Particulars	2017-18	2016-17
1	No. of complaints pending at the beginning of the year	428	468
2	No. of complaints received during the year	19,360	17,352
3	No. of complaints redressed during the year	19,373	17,392
4	No. of complaints pending at the end of the year	415	428

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

Concentration of Deposits

(Amount in Rs. '000)

S. No.	Particulars	2017-18	2016-17
1	Total Deposits of twenty largest depositors	15,521,685	13,938,152
2	Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	96.37%	97.52%

Concentration of Advances

(Amount in Rs. '000)

S. No.	Particulars	2017-18	2016-17
1	Total Advances to twenty largest borrowers	9,387,501	5,789,276
2	Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	18.25%	16.12%



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

Concentration of Exposures

(Amount in Rs. '000)

S. No.	Particulars	2017-18	2016-17
1	Total Exposure to twenty largest borrowers / customers *	13,147,558	5,421,587
2	Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	6.98%	5.87%

* During the year, the bank has started including unutilized limits in exposure identification with respect to charge cards amounting to INR 6,273,109 ('000). Accordingly, disclosure is made in current year on prospective basis.

Concentration of NPAs

(Amount Rs. in '000)

S. No.	Particulars	2017-18	2016-17
1	Total Exposure to top four NPA accounts	71,064	79,931

n) Sector-wise Advances

(Amount in Rs. '000)

S. No.	Sector	2017-18			2016-17		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances
A	Priority Sector*						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	–	–	–	–	–	–
3	Services	–	–	–	–	–	–
4	Personal Loans	–	–	–	–	–	–
	Sub Total (A)	–	–	–	–	–	–
B	Non Priority Sector						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	10,457,739	66,018	0.63%	4,233,819	85,338	2.02%
	– Food Processing	1,997,316	26	0.00%	701,193	214	0.03%
	– Chemicals and Chemical Products (Dyes, Paints, etc.)	1,084,616	7,078	0.65%	871,542	–	0.00%
	– All Engineering (Electronics & Others)	1,951,590	12,107	0.62%	371,964	–	0.00%
	– Construction	1,812,529	1,416	0.08%	469,190	3,069	0.65%
	– Infrastructure	1,545,952	28	0.00%	56,402	36	0.06%
	– Others	2,065,736	45,363	2.20%	1,763,528	82,019	4.65%
3	Services	17,316,279	172,180	0.99%	13,131,508	53,896	0.41%
	– Computer Software	3,821,787	54,714	1.43%	3,313,216	19,308	0.58%
	– Tourism, Hotel and Restaurants	4,297,506	41,386	0.96%	2,271,398	23	0.00%
	– Professional Services	2,594,071	19,337	0.75%	1,607,396	13,690	0.85%
	– Retail Trade	2,320,486	9,464	0.41%	1,520,573	727	0.05%
	– Others	4,282,428	47,279	1.10%	4,418,925	20,148	0.46%
4	Personal Loans	23,670,046	610,292	2.58%	18,550,229	335,859	1.81%
	Sub Total (B)	51,444,064	848,490	1.65%	35,915,556	475,093	1.32%
	Totals (A+B)	51,444,064	848,490	1.65%	35,915,556	475,093	1.32%

* 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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o) Movement of NPAs

(Amount in Rs. '000)

S. No.	Particulars	2017-18	2016-17
1	Gross NPAs - Opening Balance	475,093	496,326
2	Additions – Fresh NPAs during the year	2,654,029	2,095,655
3	Sub-Total [A] (1 + 2)	3,129,122	2,591,981
4	Less :		
	i. Upgradations	–	194,420
	ii. Recoveries	1,268,467	857,968
	iii. Write-offs	1,012,165	1,064,500
	Sub-Total [B]	2,280,632	2,116,888
5	Gross NPAs – Closing Balance	848,490	475,093

p) 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, 2018 computed as per the RBI guidelines is 65% [2016-17: 76.72%].

q) 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 in Rs. '000)

S. No.	Particulars	March 31, 2018	March 31, 2017
1	Total amount of intra-group exposures *	576,229	10,830
2	Total amount of top-20 intra-group exposures *	576,229	10,830
3	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.31%	0.01%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	None	None

* During the year, the bank has started including unutilized limits in exposure identification with respect to charge cards amounting to INR 564,224 ('000). Accordingly, disclosure is made in current year on prospective basis.

r) 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.

Below are the details of amount transferred to Depositor Education and Awareness Fund as of March 2018.

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Opening balance of amounts transferred to DEAF	3,802	–
Add : Amounts transferred to DEAF during the year	11,359	3,802
Less : Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	15,161	3,802



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s) 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) and subsequent amendments, 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.

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 Treasury Policy of the Bank duly approved by the Country Executive Committee (CEC), which describes how the Bank seeks to manage funding and liquidity risk on 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 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 which provides a framework for analyzing and responding to liquidity events that are both market-driven as well as institution-specific. The CFP describes the governance and protocol to be put into effect upon the occurrence of a liquidity event and details the roles and responsibilities of Senior Management.

The Bank has institutionalized a process of measuring, monitoring and reporting of the LCR in line with the Reserve Bank of India's guidelines on LCR.

The Bank has been in compliance with the minimum standard of 70% from 1st January, 2016 to 31st December, 2016, 80% from 1st January, 2017 and 90% from 1st January 2018 onwards.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net cash 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, membership rewards etc. The key constituents of cash inflow for the Bank are remittances from card members, balances with banks etc.

The daily average LCR for the Bank for the quarter ending March 31, 2018 stood at 113.39%



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Quantitative Disclosures

(Amount in Rs. '000)

	Quarter ended 31st March 2018		Quarter ended 31st December 2017		Quarter ended 30th September 2017		Quarter ended 30th June 2017		Quarter ended 31st March 2017	
	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
High Quality Liquid Assets										
1	Total High Quality Liquid Assets (HQLA)		15,866,113	14,958,172	13,974,357	13,005,426				12,518,845
Cash Outflows										
2	Retail deposits and deposits from small business customers, of which:									
(i)	Stable deposits									
(ii)	Less stable deposits									
3	Unsecured wholesale funding, of which:		4,409,188	2,172,617	5,004,362	2,403,411	4,311,750	2,114,771	4,428,586	2,284,319
(i)	Operational deposits (all counterparties)									
(ii)	Non-operational deposits (all counterparties)		3,727,619	1,491,048	4,334,919	1,733,968	3,661,632	1,464,653	3,573,778	1,429,511
(iii)	Unsecured debt		681,569	681,569	669,443	669,443	650,118	650,118	854,808	854,808
4	Secured wholesale funding									
5	Additional requirements, of which		1,030,173	1,030,173	927,847	927,847	815,094	815,094	700,499	700,499
(i)	Outflows related to derivative exposures and other collateral requirements		1,030,173	1,030,173	927,847	927,847	815,094	815,094	700,499	700,499
(ii)	Outflows related to loss of funding on debt products									
(iii)	Credit and liquidity facilities									
6	Other contractual funding obligations		16,774,854	16,774,854	16,539,047	16,539,047	16,045,150	16,045,150	16,701,293	16,701,293
7	Other contingent funding obligations		131,318,663	6,565,933	121,351,344	6,251,416	105,113,041	5,255,652	59,065,391	2,953,270
8	Total Cash Outflows		26,543,577	26,121,721	24,230,667	22,639,381	22,223,007			
Cash Inflows										
9	Secured lending (e.g. reverse repos)									
10	Inflows from fully performing exposures		21,684,662	10,842,331	20,335,116	10,169,369	17,748,078	8,874,039	18,018,611	9,009,305
11	Other cash inflows		8,796,634	1,708,645	8,220,869	1,586,298	11,850,999	1,671,712	5,379,839	1,426,610
12	Total Cash Inflows		30,481,296	12,550,976	28,555,985	11,755,667	29,599,077	10,545,751	23,398,450	10,435,915
			Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value
21	TOTAL HQLA		15,866,113	14,958,172	13,974,357	13,005,426				12,518,845
22	Total Net Cash Outflows*		13,992,601	14,366,054	13,684,916	12,203,465				11,526,289
23	Liquidity Coverage Ratio (%)		113.39%	104.12%	102.12%	106.57%				108.61%

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

t) 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 in Rs. '000)

Risk Category	Exposure (Net) as at March 31, 2018	Provision as at March 31, 2018	Exposure (Net) as at March 31, 2017	Provision as at March 31, 2017
Insignificant	412	–	587	–
Low	17	–	113	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	429	–	600	–



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u) Disclosure on Frauds

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Number of frauds reported	7,577	1,506
Amount Involved	211,546	82,112
Amount Written-Off	103,663	34,085
Amount Recovered	107,883	48,027
Quantum of unamortized provision debited from other reserves	–	–

v) Unhedged Foreign Currency Exposure:

During the year, the Bank has started providing for unhedged foreign currency exposures as per RBI master circular DBR. No.BP.BC.2/21.04.048/2015-16 dated 01 July 2015 on prudential norms on income recognition, asset classification and provisioning pertaining to advances.

Provision towards unhedged foreign currency exposures as on 31 March 2018 is INR 112,777 ('000) and the capital held by the Bank towards this risk is INR 352,523 ('000).

w) Divergence in the asset classification and provisioning

RBI vide its circular dated April 18, 2017, has directed that banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 15 percent of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. For financial year 2016-17, RBI has not assessed any additional provisioning requirement or Gross NPAs in excess of aforesaid limits under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

x) The Bank has no disclosure to make in respect of the following items as the relevant items are Nil

(i)	Investments :	Repo Transactions Non-SLR Investment Portfolio Non performing Non-SLR Investments Movement of provisions held towards depreciation in Investments Sale and transfers to/from HTM category
(ii)	Asset Quality :	Particulars of Accounts Restructured Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction Details of non-performing financial assets purchased/sold Unsecured Advances: Assets for which intangible securities have been taken as collateral Provision for restructured Loans/Assets Investment in Securities Receipts
(iii)	Awards passed by the Banking Ombudsman	
(iv)	Disclosure relating to securitisation	
(v)	Draw down from Reserves	
(vi)	Penalties imposed by Reserve Bank of India	
(vii)	Discontinuing Operations	
(viii)	Unamortised Pension and Gratuity Liabilities	
(ix)	Resolution of Stressed Assets – Revised Framework	

y) The Bank has no disclosure to make in respect of the following items as the relevant items are Not Applicable

(i)	Investments :	Investments in Associates
(ii)	Derivatives :	Forward Rate Agreements/ Interest Rate Swaps Exchange Traded Interest Rate Derivatives Disclosure on risk exposure in derivatives Credit Default Swaps
(iii)	Letter of Comforts issued by the Bank	
(iv)	Earnings per share	
(v)	Consolidated Financial Statements	
(vi)	Interim Financial Reporting	
(vii)	Overseas Assets, NPAs and Revenue	
(viii)	Off-Balance Sheet SPVs sponsored	
(ix)	Disclosure on Specified Bank Notes	



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2. 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 2,519,064 ('000) [2016-17: INR 2,689,233('000)].

3. Deferred Taxes

As of March 31, 2018, in view of 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 Net Deferred Tax Assets as on March 31, 2018.

4. Segment Reporting

The summary of the segmental information of the Bank for the Year ended 31st March, 2018 are given below-

(Amount in Rs. '000)

Segmentation Particulars	Banking operations		Treasury		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Segment revenue	14,965,884	12,268,130	1,042,298	838,058	16,008,182	13,106,188
Unallocated Expenses					-	-
Segment result	712,570	438,778	99,534	51,518	812,104	490,296
Operating Profits/(Loss)					812,104	490,296
Income taxes					-	-
Extraordinary profit / (loss)					-	-
Net profit (loss)					812,104	490,296
Other information :						
Segment assets	52,844,320	39,181,910	21,413,916	18,451,577	74,258,236	57,633,487
Unallocated assets						
(Taxes and accumulated losses)					3,088,911	3,629,423
Total assets	52,844,320	39,181,910	21,413,916	18,451,577	77,347,147	61,262,910
Segment liabilities	41,291,897	31,137,065	21,413,916	18,451,577	62,705,813	49,588,642
Unallocated liabilities						
(Taxes, Capital and Reserve and Surplus)					14,641,334	11,674,268
Total liability	41,291,897	31,137,065	21,413,916	18,451,577	77,347,147	61,262,910
Cost to acquire fixed assets	78,593	150,553	-	-	78,593	150,553
Depreciation	118,495	112,283	-	-	118,495	112,283

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

5. 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 (Malaysia) Sdn. Bhd. American Express (Thai) Co., Ltd. American Express Argentina, SA American Express Australia Ltd American Express Business Solutions (India) Private Limited American Express Company (Mexico) Sa De CV American Express Europe Limited American Express Global Business Travel American Express India Pvt Ltd. American Express International (NZ), Inc. American Express International (Taiwan), Inc. American Express International, Inc. American Express Limited American Express Services Europe Limited American Express Services India Pvt Ltd American Express Travel Related Services Company, Inc. Amex Canada Inc. Loyalty Solutions and Research Pvt Ltd
4.	Subsidiaries/ Associates/ Joint Ventures	-
5.	Key Management Personnel **	Manoj Adlakha as Chief Executive Officer



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The related party balances and transactions for the year ended March 31, 2018 are summarized as follows :

(Amount in Rs. '000)

Particulars	Year	Parent - Head Office		Total
		American Express Banking Corp, New York		
Borrowings	2017-18		4,550,000	4,550,000
	2016-17		4,550,000	4,550,000
<i>Maximum Outstanding</i>	2017-18		4,550,000	
	2016-17		4,550,000	

(Amount in Rs. '000)

Particulars	Year	Subsidiaries of Ultimate Holding Company							Grand Total
		American Express India Pvt Ltd.	American Express International, Inc.	American Express Limited	American Express Services India Pvt Ltd	American Express Travel Related Services Company, Inc.	American Express Europe Limited	Others	
Deposits	2017-18	13,855,000	–	–	340,000	–	–	115,000	14,310,000
	2016-17	12,910,000	–	–	270,100	–	–	57,000	13,237,100
<i>Maximum Outstanding</i>	2017-18	17,025,000	–	–	410,000	–	–	200,000	
	2016-17	14,155,000	–	–	345,000	–	–	210,000	
Advances	2017-18	297,145	–	–	3,468	–	–	6,429	307,042
	2016-17	255,829	–	–	2,361	–	–	6,465	264,655
<i>Maximum Outstanding</i>	2017-18	514,264	–	–	14,811	–	–	30,007	
	2016-17	433,104	–	–	18,164	–	–	25,969	
Receivables	2017-18	–	96	–	–	316	–	17	429
	2016-17	–	–	–	–	562	–	38	600
Payables #	2017-18	665,164	14,707,000	470,004	116,077	343,638	132,538	262,571	16,696,992
	2016-17	222,268	10,621,974	–	148,100	338,535	116,467	163,118	11,610,461
Transfer of assets	2017-18	743	–	–	–	–	–	–	743
	2016-17	3,610	–	–	–	–	–	–	3,610
Interest Expense	2017-18	709,514	–	–	15,359	–	–	10,056	734,929
	2016-17	714,702	–	–	5,253	–	–	1,770	721,725
Payments by Related Party on Bank's Behalf/ Receipt by Bank on behalf of Related Party	2017-18	158,583	–	980	–	–	–	1,637	161,200
	2016-17	55,856	–	713	–	–	–	2,004	58,573
Revenue from Services Rendered									
Commission, exchange and brokerage (gross)	2017-18	–	610	–	–	2,198,635	–	12	2,199,257
Less: Volume Rebate and Issuer Rate	2016-17	1,725	11,937	–	73	1,961,764	24	8,524	1,984,047
Payable	2017-18	–	(3,256)	–	–	(1,377,510)	(90,626)	(1,665)	(1,473,057)
	2016-17	–	(11,333)	–	–	(1,323,717)	(100,226)	(1,852)	(1,437,128)
Miscellaneous Income	2017-18	42	499	–	–	5,962	–	615	7,118
	2016-17	–	7,852	–	–	74,336	–	27,970	110,158
Revenue from Services Rendered Total	2017-18	42	(2,147)	–	–	827,087	(90,626)	(1,038)	733,318
	2016-17	1,725	8,456	–	73	712,383	(100,202)	34,642	657,077
Cost of Services Received									
Business Support Cost	2017-18	1,217,271	17,158	–	1,107,298	771,645	–	131,245	3,244,617
	2016-17	1,013,230	8,595	–	1,286,697	739,032	10	103,941	3,151,505
Other expenditure	2017-18	–	321	526,998	–	3,748	–	26,197	557,264
	2016-17	–	–	–	–	–	–	24,636	24,636
Rent, taxes and lighting	2017-18	63,404	–	–	380	–	–	–	63,784
	2016-17	62,096	–	–	–	–	–	–	62,096
Advertisement and Publicity	2017-18	–	–	–	–	–	–	10,453	10,453
	2016-17	–	–	–	–	–	–	52,896	52,896
Re-imbursements of cost to/from Related Party	2017-18	16,581	–	–	–	(466,903)	–	–	(450,322)
	2016-17	7,206	–	–	–	(374,834)	–	–	(367,628)
Cost of Services Received Total	2017-18	1,297,256	17,479	526,998	1,107,678	308,490	–	167,895	3,425,796
	2016-17	1,082,532	8,595	–	1,286,697	364,198	10	181,473	2,923,505

** 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.



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6. Other Liabilities include:

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Provisions towards Standard Assets#	318,167	155,569
Counter Cyclical Provisioning Buffer	88,500	88,500
Prepaid Cards	78	7,616

#Includes Unhedged Foreign Currency Provision of Rs 112,777 ('000) (Previous Year – Nil)

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

8. 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	2017-18	2016-17
Future minimum lease payments under non-cancellable Operating leases		
Not later than 1 year	109,830	107,187
Later than 1 year and not later than 5 years	99,466	136,750
Later than 5 years	–	–
Lease payments recognized in the Profit and Loss Account in respect of operating leases	127,128	108,715

9. Provision, Contingent Liabilities and Contingent Assets

Movement in provision for membership reward points:

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Opening	1,726,029	1,333,266
Additions	3,430,090	2,772,204
Utilisations/Write backs	3,042,978	2,379,441
Closing Balance	2,113,141	1,726,029

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

10. Taxes

The income tax expenses comprise the following:

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Wealth Tax	–	–
Deferred Income tax (benefit)/expense	–	–
Total	–	–

11. Description of contingent liabilities

Contingent Liabilities	Brief Description
Other items for which the bank is contingently liable*	<p>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 792,488 ('000) has been disputed by bank and hence disclosed as contingent liability.</p> <p>The Bank as part of certain service contracts has provided guarantees which amount to INR 23,280 ('000).</p> <p>The amount deposited in Depositor Education and Awareness Fund amounting to INR 12,893 ('000).</p>

* Also refer Schedule 12 – Contingent Liabilities



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12. 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:		
		2017-18	2016-17
	Provident fund	44,076	45,161
	Superannuation	1,080	984
	TOTAL	45,516	46,145
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 :			
		As at March 31, 2018	As at March 31, 2017
I	Assumptions		
	Mortality Rate (in deferment)	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
	Mortality Rate (Post retirement)	LIC (1996-98) Ultimate	LIC (1996-98) Ultimate
	Discount Rate	7.50%	6.90%
	Rate of increase in compensation	Not Applicable	Not Applicable
	Rate of return (expected) on plan assets	7.50%	7.50%
II	Changes in present value of obligations		
	Defined Benefit Obligation at beginning of the Year	41,096	35,522
	Interest Cost	2,535	2,481
	Current Service Cost	-	-
	Actuarial Losses/(Gains)	2,106	10,531
	Benefit Payments	(8,711)	(7,438)
	Defined Benefit Obligation at end of the Year	37,026	41,096
III	Changes in fair value of plan assets		
	Fair Value of Plan Assets at beginning of the Year	68,346	72,666
	Expected return on plan assets	4,799	5,171
	Actuarial Gain / (Loss)	(1,407)	(2,053)
	Benefit Payments	(8,711)	(7,438)
	Fair Value of Plan Assets at end of the Year	63,027	68,346
IV	Amounts to be recognised in the Balance Sheet		
	Defined Benefit Obligation at the end of the Year	37,026	41,096
	Fair Value of Plan Assets at the end of the Year	63,027	68,346
	Amount not recognised as an Asset	-	-
	Surplus Assets	26,001	27,250
V	Expense Recognised	-	-

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



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	As at March 31, 2018	As at March 31, 2017
	Percentage	
Government of India securities (Central and State)	50.66	46.01
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	49.34	53.99
Others	–	–
Total	100.00	100.00

Experience Adjustments	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Defined Benefit Obligation at end of the period	(37,026)	(41,096)	(35,522)	(33,559)	(24,023)
Plan Asset as at the end of the period	63,027	68,346	72,666	70,747	70,769
Funded Status	26,001	27,250	37,144	37,188	46,746
Experience Gain/(Loss) adjustments on plan liabilities	(2,854)	(7,433)	(584)	(2,680)	(1,667)
Experience Gain/(Loss) adjustments on plan assets	(1,407)	(2,053)	(2,150)	(4,712)	(1,601)
Actuarial Gain/(Loss) due to change on assumptions	748	(3,098)	–	(5,256)	4,466

(Amount in Rs. '000)

C	Contribution towards Gratuity:	As at March 31, 2018	As at March 31, 2017
	The above employee benefit is covered under a Gratuity Trust and as detailed under Paragraph III 9 (c) of Schedule 18 above.		
	Gratuity : The components of net benefit expenses recognized in the Profit and Loss Account and Balance Sheet and the funded status for gratuity benefit plan are summarised below:		
I	Assumptions	As at March 31, 2018	As at March 31, 2017
	Mortality	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
	Discount Rate	7.50%	6.90%
	Rate of increase in compensation	9.00%	10.00%
	Rate of return (expected) on plan assets	7.50%	7.50%
	Withdrawal rates	Up to age 30 - 27% age 31-40 - 18% age 41-50 - 7% age 51 and above - 8%	Up to age 30 - 27% age 31-40 - 18% age 41-50 - 7% age 51 and above - 8%
II	Changes in present value of obligations	As at March 31, 2018	As at March 31, 2017
	DBO at beginning of the Year	148,301	125,572
	Interest Cost	9,848	9,442
	Current Service Cost	15,889	14,700
	Benefits Paid	(11,159)	(9,037)
	Actuarial Losses/(Gains) on obligation	(17,545)	7,624
	Liabilities extinguished on settlements	–	–
	Liability released due to employee transfer	–	–
	Plan Amendment Cost	14	–
	Acquisitions Cost	829	–
	DBO at end of the Year	146,177	148,301



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		As at March 31, 2018	As at March 31, 2017
III	Changes in fair value of plan assets		
	Fair Value of Plan Assets at beginning of the Year	46,870	53,878
	Expected Return of Plan Assets	3,097	3,702
	Contributions	–	–
	Benefits paid	(11,159)	(9,037)
	Assets distributed in settlements	–	–
	Actuarial gain / (loss) on plan assets	(1,097)	(1,673)
	Fair Value of Plan Assets at end of the Year	37,711	46,870
IV	Amounts to be recognised in the Balance Sheet		
	Present Value of DBO at the end of the Year	146,177	148,301
	Fair Value of Plan Assets at end of the Year	37,711	46,870
	Funded/(Unfunded) Status	(108,466)	(101,431)
	Unrecognised Past Service Costs	–	–
	Net Asset /(Liability) recognised in the Balance Sheet	(108,466)	(101,431)
V	Expense Recognised		
	Current Service Cost	15,889	14,700
	Interest Cost	9,848	9,442
	Expected Return on Plan Assets	(3,097)	(3,702)
	Net Actuarial (Gain) /Loss recognised for the Year	(16,448)	9,297
	Past Service Cost	14	–
	Expense recognised in the statement of P&L A/c	6,206	29,737

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, 2018	As at March 31, 2017
	Percentage	
Government of India securities (Central and State)	–	15.12
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	100.00	84.88
Others	–	–
Total	100.00	100.00

Experience Adjustments	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Defined Benefit Obligation at end of the period	(146,177)	(148,301)	(125,572)	(133,030)	(110,504)
Plan Asset as at the end of the period	37,711	46,870	53,878	42,550	44,841
Funded Status	(108,466)	(101,431)	(71,694)	(90,480)	(65,663)
Experience Gain/(Loss) adjustments on plan liabilities	(844)	267	(2,601)	14,869	(6,423)
Experience Gain/(Loss) adjustments on plan assets	(1,097)	(1,673)	(464)	(147)	(137)
Actuarial Gain/(Loss) due to change on assumptions	18,389	(7,891)	–	(26,139)	(9,882)



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D	<p>Leave Encashment/Compensated Absences</p> <p>The amount charged to Profit and Loss Account during the year towards Leave Encashment and compensated absences INR 9,090 ('000) (Previous year INR 19,121 ('000))</p> <p>The liability for leave encashment and compensated absences as on March 31, 2018 is INR 121,958 ('000) (Previous Year INR 122,097 ('000)).</p>
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13. 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	2017-18	2016-17
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	318	–
4	Interest due and payable (under the MSMED Act 2006) which have not been paid (covering all payments)	421	318
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)	421	318
6	Details on payments made in respect of outstanding as at Sl. No. 1 above.	–	–

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

(Amount in Rs. '000)

Particulars	2017-18	2016-17
Others - Income from Insurance Corporate Agency Business		
-For selling life insurance products	1,765	6,181
-For selling non-life insurance products	83,481	62,477

15. 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's 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)

Sr. No.	Particulars	2017-18	2016-17
1	(i) Number of employees having received a variable remuneration award during the financial year.	4	4
	(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	–	–
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		
	Fixed	47,587	42,343
	Variable	32,653	25,918
	Deferred	–	–
	Non-deferred	32,653	25,918



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Sr. No.	Particulars	2017-18	2016-17
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)	3,219	2,833

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.

16. 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 average net losses in previous three years.

17. Auditors' Remuneration [excluding goods & service tax / service tax]

(Amount in Rs. '000)

Particulars	2017-18	2016-17
As Auditors:		
– Statutory Audit	2,720	4,120
– Tax Audit	340	361
– Certificates	340	464
– Out of Pocket Expenses		
Current year Auditors	–	–
Previous year Auditors	1,068	1,150
Total	4,468	6,095

18. Transfer Pricing

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The management is of the opinion that international transactions are at arm's length so that the above legislation will not have material impact on the financial statements, particularly on the amount of tax expense and that of provision of taxes.

19. 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 **Khimji Kunverji & Co.**
Chartered Accountants
Firm Registration Number: 105146W

Gautam V. Shah
Partner
Membership No. F-117348

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

Manoj Adlaka
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Mumbai
Date: June 22, 2018

Place: Gurugram
Date: June 19, 2018