AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

AUDITOR'S REPORT ON THE ACCOUNTS OF THE INDIAN BRANCH OF AMERICAN EXPRESS BANKING CORP. - UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

Report on the Financial Statements

1. We have audited the accompanying financial statements of American Express Banking Corp. – India Branch ("the bank"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with The Banking Regulation Act, 1949. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. These 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 of material misstatements.

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulations Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

   (ii) in the case of the Profit and Loss Account of the profit/loss for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account are drawn up in conformity with provision of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956, of India.

8. We report that:

   a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

   b) The transactions of the Bank which have come to our notice have been within the powers of the Bank. However, the bank 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., which in the view of the bank are in line with the market practices. We are unable to ascertain whether such transactions of providing payment solutions to corporates and other entities are as per the license granted by Reserve Bank of India and are in compliance with the "Master Circular on Credit Card Operations of the Bank" issued by Reserve Bank of India.

c) The financial accounting system of the Bank is centralized and therefore accounting returns for the purpose of preparing financial statements are not required to be submitted by the maiden branch.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards, referred to in sub section 3 (C) of Section 211 of the Companies Act, 1956 of India to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

10. We further report that:

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

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

(iii) The requirements of section 274 (1)(g) of the Companies Act, 1956 of India are not applicable, considering the bank is the branch of American Express Banking Corp., which is incorporated with limited liability in the United States of America.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants
Firm Registration No. 104607W

Sd/-
Vinayak M. Padwal
Partner
Membership No. F49639

Gurgaon
June 3, 2013

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

BALANCE SHEET AS AT MARCH 31, 2013

(Amount in Rs. '000)

	Schedule	As on March 31, 2013	As on March 31, 2012
CAPITAL AND LIABILITIES			
Capital	1	7,527,444	6,177,194
Reserves and Surplus	2	76,810	76,810
Deposits	3	6,746,788	5,013,161
Borrowings	4	4,715,492	5,632,750
Other Liabilities and Provisions	5	6,335,234	4,436,805
Total		**25,401,768**	**21,336,720**
ASSETS			
Cash and Balances with Reserve Bank of India	6	490,697	578,697
Balances with Banks and Money at Call and Short Notice	7	269,328	211,165
Investments	8	3,909,014	3,412,419
Advances	9	17,103,192	14,741,064
Fixed Assets	10	431,947	381,836
Other Assets	11	3,197,590	2,011,539
Total		**25,401,768**	**21,336,720**
Contingent Liabilities	12	43,408	59,340
Bills for Collection		–	–
Significant Accounting Policies and Notes to Accounts	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.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

(Amount in Rs. '000)

	Schedule	Year ended March 31, 2013	Year ended March 31, 2012
INCOME			
Interest Earned	13	885,896	783,011
Other Income	14	5,575,675	5,046,366
Total		**6,461,571**	**5,829,377**
EXPENDITURE			
Interest Expended	15	1,173,322	806,666
Operating Expenses	16	5,602,066	4,825,033
Provisions and Contingencies	17	413,609	157,601
Total		**7,188,997**	**5,789,300**
PROFIT/(LOSS)			
Net Profit/(Loss) for the Year		(727,426)	40,077
Profit/(Loss) brought forward		(1,321,380)	(1,351,438)
		(2,048,806)	**(1,311,361)**
APPROPRIATIONS			
Transfer to Statutory Reserve		–	10,019
Transfer to Other Reserves		–	–
Transfer to Government/ proposed dividend		–	–
Balance carried over to Balance Sheet		(2,048,806)	(1,321,380)
		(2,048,806)	**(1,311,361)**
Significant Accounting Policies and Notes to Accounts	18		

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
Kalyaniwalla & Mistry
Chartered Accountants

Sd/-
Vinayak M. Padwal
Partner
Membership No. F49639

Place: Gurgaon
Date: 3rd June, 2013

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

Sd/-
Shailesh Baidwan
Chief Executive Officer

Sd/-
Sunil Chowdhry
Financial Controller

Place: Gurgaon
Date: 3rd June, 2013

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Amount in Rs. '000)

		Year ended March 31, 2013	Year ended March 31, 2012
	Cash Flow from Operating activities		
	Net profit/(loss) before taxes	(879,939)	(124)
	Adjustments for :		
	Provision for doubtful advances and receivables	82,929	10,286
	Depreciation on assets (including amortization of Goodwill)	160,704	168,315
	Net (profit)/loss on sale of land, building and other assets	(4,077)	(3,715)
	Operating profit before working capital changes	*(640,383)*	*174,762*
	(Increase)/decrease in investments	(496,595)	(1,022,662)
	(Increase)/decrease in advances	(2,430,381)	(3,978,034)
	Increase/(decrease) in borrowings	(917,258)	3,880,069
	Increase/(decrease) in deposits	1,733,627	(181,082)
	(Increase)/decrease in other assets	(305,712)	(329,193)
	Increase/(decrease) in other liabilities and provisions	1,883,940	245,445
	(Total taxes paid)/Refund received [net]	(588)	(692)
A	Net Cash Flow from/(used in) operating activities	(1,173,350)	(1,211,387)
	Cash Flow from Investing activities		
	Fixed assets purchased	(233,387)	(104,135)
	Proceeds from sale of fixed assets	26,650	13,457
B	Net Cash Flow from/(used in) Investing activities	(206,737)	(90,678)
	Cash Flow from Financing activities		
	Infusion of capital	1,350,250	–
	Long term borrowing	–	–
C	Net Cash Flow from Financing activities	1,350,250	–
	Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	(29,837)	(1,302,065)
	Cash and cash equivalents at beginning of year	789,862	2,091,927
	Cash and cash equivalents at end of year	760,025	789,862
	Increase/(decrease) in cash and cash equivalents	(29,837)	(1,302,065)

Notes to the Cash Flow Statement

1. Cash and cash equivalents represents cash and balances with banks as disclosed in Schedule 6 and 7
2. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard (AS–3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

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

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Sd/-
Vinayak M. Padwal
Partner
Membership No. F49639

Place: Gurgaon
Date: 3rd June 2013

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

Sd/-
Shailesh Baidwan
Chief Executive Officer

Sd/-
Sunil Chowdhry
Financial Controller

Place: Gurgaon
Date: 3rd June 2013

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF ACCOUNTS

(Amount in Rs. '000)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 1 – CAPITAL		
Amount of deposit kept with RBI under section 11 (2) of the Banking Regulation Act, 1949 as per contra.	78,810	68,791
	78,810	68,791
HEAD OFFICE ACCOUNT		
Opening balance	6,177,194	6,177,194
Additions during the year	1,350,250	–
Closing balance	**7,527,444**	**6,177,194**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening balance	76,810	66,791
Additions during the year	–	10,019
Closing balance	**76,810**	**76,810**
II. CAPITAL RESERVES		
Opening balance	–	–
Additions during the year	–	–
Closing balance	–	–
III. REVENUE AND OTHER RESERVES		
Opening balance	–	–
Additions during the year	–	–
Closing balance	–	–
IV. Balance in Profit and Loss Account	–	–
	76,810	**76,810**
SCHEDULE 3 - DEPOSITS		
A. In India		
I. DEMAND DEPOSITS		
From banks	–	–
From others	–	–
II. SAVINGS BANK DEPOSITS	–	–
III. TERM DEPOSITS		
From banks	–	–
From others (Institutional)	6,746,788	5,013,161
	6,746,788	**5,013,161**
B. (i) Deposits of branches in India	–	–
(ii) Deposits of branches outside India	–	–
	–	–

(Amount in Rs. '000)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 4 – BORROWINGS		
I. BORROWINGS IN INDIA		
Reserve Bank of India	–	–
Other banks	4,715,492	5,632,750
Other institutions and agencies	–	–
II. BORROWINGS OUTSIDE INDIA	–	–
	4,715,492	**5,632,750**
Secured borrowings included in I and II above	Nil	Nil
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
Bills payable	–	–
Inter-office adjustments (net)	–	–
Interest accrued	170,881	140,192
Others (including provisions)	6,164,353	4,296,613
	6,335,234	**4,436,805**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	–	–
II. Balances with Reserve Bank of India		
i) In current account*	490,697	578,697
ii) In other accounts	–	–
Total I and II	**490,697**	**578,697**

* Includes Nil (Previous Year - Rs. 68,791 ('000s)) deposit with RBI u/s 11(2) (b) (ii) of the Banking Regulation Act, 1949 as per contra

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
Balances with banks		
i) In current accounts	269,328	211,165
ii) In other deposit accounts	–	–
Money at call and short notice		
i) With banks	–	–
ii) With other institutions	–	–
	269,328	**211,165**
II. Outside India		
i) In current accounts	–	–
ii) In other deposit accounts	–	–
iii) Money at call & short notice	–	–
	–	–
	269,328	**211,165**

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF ACCOUNTS

(Amount in Rs. '000)

SCHEDULE 8 – INVESTMENTS

	As on March 31, 2013	As on March 31, 2012
I. Investment in India in		
i) Government Securities (Treasury Bill)	3,909,014	3,412,419
ii) Other approved securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others	–	–
	3,909,014	**3,412,419**
II. Investment outside India in		
i) Government Securities (including local authorities)	–	–
ii) Subsidiaries and/or joint ventures abroad	–	–
iii) Others	–	–
	–	–
	3,909,014	**3,412,419**

SCHEDULE 9 – ADVANCES

	As on March 31, 2013	As on March 31, 2012
A. i) Bills purchased and discounted	–	–
ii) Cash credits, overdraft and loan repayable on demand	17,101,455	14,738,724
iii) Term loans- Staff	1,737	2,340
	17,103,192	**14,741,064**
B. i) Secured by tangible assets	1,658	2,198
ii) Covered by bank/ government guarantees	–	–
iii) Unsecured	17,101,534	14,738,866
	17,103,192	**14,741,064**
C. I. Advances in India		
i) Priority sector*	–	–
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	17,103,192	14,741,064
	17,103,192	**14,741,064**
II. Advances Outside India		
i) Due from banks	–	–
ii) Due from others		
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
	–	–
	17,103,192	**14,741,064**

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

(Amount in Rs. '000)

SCHEDULE 10 – FIXED ASSETS

	As on March 31, 2013	As on March 31, 2012
I. PREMISES		
At cost as on 31 March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
	–	–
Depreciation to date	–	–
Total Net Book Value I	–	–
II. OTHER FIXED ASSETS (Including Furniture & Fixtures)		
At cost as on March 31 of the preceding year	1,395,501	1,349,023
Additions during the year	233,387	104,135
Deductions during the year	(51,357)	(57,657)
	1,577,531	1,395,501
Depreciation to date	(1,145,584)	(1,013,665)
Total Net Book Value II	431,947	381,836
Net Book Value I and II	**431,947**	**381,836**

SCHEDULE 11 - OTHER ASSETS

	As on March 31, 2013	As on March 31, 2012
I. Inter-office adjustments (net)	–	–
II. Interest accrued	25,955	25,482
III. Tax paid in advance / tax deducted at source	4,828	4,481
IV. Stationery and Stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred tax asset	317,770	164,857
VII. Others* (Including Debit Balance in Profit and Loss Account Rs.2,048,806 ('000) – Previous year Rs.1,321,380 ('000s))	2,849,037	1,816,719
	3,197,590	**2,011,539**

SCHEDULE 12 - CONTINGENT LIABILITIES

	As on March 31, 2013	As on March 31, 2012
I. Claims against the bank not acknowledged as debts	43,408	59,340
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding forward exchange contracts	–	–
IV. Guarantees given on behalf of constituents		
a) In India	–	–
b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the bank is contingently liable	–	–
	43,408	**59,340**

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

SCHEDULES FORMING PART OF ACCOUNTS

(Amount in Rs. '000)

	Year ended March 31, 2013	Year ended March 31, 2012
SCHEDULE 13 – INTEREST EARNED		
Interest/discount on advances/bills	599,106	564,579
Income on investments	286,790	217,909
Interest on balances with the Reserve Bank of India and other inter-bank funds	–	523
Others	–	–
	885,896	**783,011**
SCHEDULE 14 – OTHER INCOME		
Commission, exchange and brokerage	5,122,164	4,527,717
Net Profit/(Loss) on sale of investments	–	–
Net Profit /(Loss) on revaluation of investments	–	–
Profit on sale of land, building and other assets	6,573	8,033
Less: Loss on sale of land, building and other assets	(2,496)	(4,318)
Net profit on exchange transactions	–	–
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	–	–
Miscellaneous Income	449,434	514,934
	5,575,675	**5,046,366**
SCHEDULE 15 – INTEREST EXPENDED		
Interest on deposits	519,023	461,913
Interest on Reserve Bank of India/ interbank borrowings	654,299	344,753
Others	–	–
	1,173, 322	**806,666**

(Amount in Rs. '000)

	Year ended March 31, 2013	Year ended March 31, 2012
SCHEDULE 16 – OPERATING EXPENSES		
Payments to and provisions for employees	1,081,438	1,075,307
Rent, taxes and lighting	159,493	170,324
Printing and stationery	44,342	41,157
Advertisement and publicity	1,404,977	1,151,033
Depreciation on Bank's property *	160,704	168,315
Director's fee, allowances and expenses	–	–
Auditors' fees and other expenses	3,300	3,000
Law charges	6,642	821
Postage, telegram, telephones etc.	131,734	136,791
Repairs and maintenance	111,766	94,491
Insurance	7,779	7,676
Business Support Cost	1,818,943	1,485,720
Other expenditure	670,948	490,398
	5,602,066	**4,825,033**
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES		
Depreciation in the value of securities	–	–
Provision for doubtful advances and receivables	566,122	197,802
Provision for income tax and wealth tax:		
Wealth Tax	400	480
Fringe Benefit Tax	–	–
Income Tax	(152,913)	(40,681)
	413,609	**157,601**

SCHEDULE – 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. **Background:** American Express Banking Corp. ('the Bank') has been granted licence by Reserve Bank of India ('RBI') to carry on banking business in India. The licence authorises the Bank to conduct credit card business (including prepaid cards), distribute traveller cheques and accept institutional deposits. The financial statements for the year ended March 31, 2013 comprise the accounts of the India Branch of American Express Banking Corp. (the "Bank"), which is incorporated in New York, United States of America. The Bank's ultimate holding company is American Express Company, which is incorporated in the United States of America.

II. The Bank is in the business of credit card, prepaid cards and in providing 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 and these are in line with market practices and are being conducted as per the license granted to the bank by Reserve bank of India and in compliance with guidelines prescribed as per the "Master Circular on Credit Card Operations of the Bank" issued by Reserve bank of India.

III. Significant Accounting Policies

1. **Basis of preparation:** The financial statements are prepared under the historical cost convention on the accrual basis of accounting, except where otherwise stated and comply with Generally Accepted Accounting Principles (GAAP) in India, statutory requirements prescribed under The Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards (AS) notified by the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

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 are recognized upon the occurrence of the transactions. Annual fees on cards are amortized over the period of one year.

   (ii) Interest income is recognised as it accrues, except in the case of non-performing assets, where it is recognised on realisation, as per the prudential norms of the RBI.

   (iii) Income from cheque bounce charges and delayed charges are recognised as income when the ultimate collection is no longer uncertain.

   (iv) Direct identifiable cost incurred for issuance of card is amortised over a period of one year.

4. **Foreign Currency transactions and balances**

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

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

5. **Investments**

   (i) Classification

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

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

   (ii) Valuation

   Investments classified as 'Held to Maturity' are carried at their acquisition cost. The premium paid on acquisition of debt instruments, if any, is amortised over the period remaining to maturity.

   Investments classified as 'Available for Sale' are marked to market at quarterly intervals based on the prices / yields declared by Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India. The net depreciation, if any, on a transaction basis is recognized in the Profit and Loss account and the net appreciation, if any, is not recognized.

   Investments classified as 'Held for Trading' are marked to market on monthly basis and depreciation, if any, on a transaction basis is recognized in the Profit and Loss account. The net appreciation, if any, is not recognized.

   Treasury Bills, being discounted instruments are valued at carrying cost. Discount to face value of the instrument is recognised over remaining period to maturity.

   (iii) Brokerage, commission, etc., paid at the time of acquisition of securities are charged to Profit and Loss account.

6. **Advances**

   Loans and Advances comprises card outstandings and loans to staff. Loans and Advances are stated net of specific provision made towards NPA and unrealised income from non performing assets. Advances under card receivables are reckoned at the card member level.

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

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

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

The Bank also maintains a general provision to cover credit losses which are inherent in any loan portfolio but not yet identified and discloses the same under Other Liabilities and Provisions.

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

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

7. Fixed assets and depreciation

(i) Fixed assets are stated at cost less accumulated depreciation. The Bank capitalizes all costs relating to acquisition and installation of fixed assets. However, fixed assets costing less than Rs.5,000/- are expensed out. All assets costing upto Rs.10,000 are fully depreciated in the year of purchase.

(ii) Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the Profit and Loss Account whenever the carrying amount exceeds the recoverable amount.

(iii) Depreciation on fixed assets is provided on pro-rata basis over the period of the estimated useful life of the asset on Straight Line Method, subject to the minimum rate of depreciation prescribed in Schedule XIV to the Companies Act, 1956.

(iv) The fixed assets are depreciated as per the rates given in the table below:

Asset	Depreciation rate
Buildings	2.50%
Leasehold	Over the lease period
Buildings Improvements	10%
Data processing equipments	33.33%
Transport equipments	33.33%
Furniture and fixtures	12.50%
Machinery and equipments (Other than headsets and mobile phones)	12.50%
Headsets and mobile phones	33.33%

(v) The excess of the consideration paid over the net assets acquired in a business acquisition is reckoned as Goodwill. As per Management Policy, the amount of this Goodwill is amortised over a period of three years on prorata basis. The unamortized amount of Goodwill is reckoned as an Intangible Asset and is reduced from the Capital Funds for the purpose of Capital Adequacy computation.

8. Accounting for Leases

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. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

b) Pension

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

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

In addition to the above arrangement, there are deferred (exited) employees, who had opted for the defined benefit scheme. The Bank provides for this pension liability based on actuarial valuation as at the Balance Sheet date, carried out by an independent actuary and contributes to the pension fund. Pension contributions are recognised in the Profit and Loss Account in the period in which they accrue.

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 as at the Balance Sheet date carried out by an independent actuary and contributes to the pension fund.

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 carried out by an independent actuary and contributes to the gratuity fund.

d) Leave encashment

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

10. Income Taxes

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

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.

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 reserves, that represent the estimated cost of points earned to date that are ultimately expected to be redeemed, based on the management’s judgement. The cost of Membership Reward Points is included as part of Advertisement and Publicity.

12. Accounting for Provision, Contingent Liabilities and Contingent Assets

As per Accounting Standard 29, on Provision, Contingent Liabilities and Contingent Assets, issued by The Institute of Chartered Accountants of India (ICAI), provisions are recognised only when there is a present obligation as a result of past event, which would result in a probable outflow of resources embodying economic benefits which will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognized for :

a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the bank; or

b) Any present obligation that arises from past events but is not recognized because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- A reliable estimate of the amount of obligation cannot be made.

Such obligations are disclosed as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets are not recognized in the financial statements.

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

IV. NOTES TO ACCOUNTS

1. Statutory Disclosures as per RBI norms:

a) Capital Adequacy Ratio

In terms of the RBI guidelines on New Capital Adequacy Framework (Basel II), the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) of 9 percent. Further, the minimum capital to be maintained by the Bank is subject to a prudential floor of 80% of the capital requirement under Basel I framework. The Bank's Capital Adequacy Ratio, calculated as per the New Capital Adequacy Framework (the capital requirement under Basel II Framework being higher), is as follows:

Particulars	2012-13	2011-12
CRAR - Tier I Capital	17.61%	18.70%
CRAR - Tier II Capital	0.56%	0.60%
CRAR - Total Capital	18.17%	19.30%
Amount of subordinated debt raised as Tier II Capital	–	–
Amount raised by issue of IPDI	–	–
Amount raised by issue of Upper Tier II Instruments	–	–

b) Business/Information Ratios:

	Particulars	2012-13	2011-12
a.	Interest income as a percentage to working funds (%)	3.94	3.89
b.	Non-interest income as a percentage to working funds (%)	24.77	25.05
c.	Operating profit as a percentage to working funds (%)	(1.41)	0.96
d.	Return on assets (%)	(3.23)	0.20
e.	Business (deposits plus advances) per employee (Amount in Rs. '000)	33,030	30,122
f.	Profit per employee (Amount in Rs. '000)	(1,123)	64

Definitions:

a) Working funds is the average of total assets during the year as per the returns submitted to Reserve Bank of India

b) Operating profit = (Interest income + other income – interest expenses – operating expenses – amortization of premia on investments – profit / (loss) on sale of fixed assets)

c) "Business" is the total of advances and deposits (net of inter bank deposits)

d) Productivity ratios are based on number of employees at year end.

c) Asset Liability Management - Maturity Pattern

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

(Amount in Rs. '000)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 12 months	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits -											
Current Year	–	250,000	152,249	327,000	1,718,065	2,410,573	1,888,901	–	–	–	6,746,788
Previous Year	–	400,000	–	300,000	1,241,705	1,679,258	1,392,198	–	–	–	5,013,161
Advances -											
Current Year	473,805	2,842,831	3,316,636	6,633,272	2,404,524	181,967	497,077	432,044	319,301	1,735	17,103,192
Previous Year	394,361	2,366,168	2,760,529	6,050,169	2,392,399	262,589	231,918	104,907	175,685	2,339	14,741,064
Investments -											
Current Year	79,972	662,171	389,383	652,460	577,248	915,741	336,647	187,508	4,698	103,186	3,909,014
Previous Year	331,499	977,495	216,535	237,209	417,772	311,023	716,191	127,720	–	76,975	3,412,419
Borrowings -											
Current Year	323,824	380,000	270,000	470,000	3,271,668	–	–	–	–	–	4,715,492
Previous Year	16,680	–	–	1,000,000	2,616,070	–	2,000,000	–	–	–	5,632,750
Foreign Currency Assets -											
Current Year	128,385	68,500	17,637	106,994	73,655	–	–	–	–	–	395,171
Previous Year	–	–	4,052	246,577	–	–	–	–	–	–	250,629
Foreign Currency Liabilities -											
Current Year	–	–	11,651	450,226	–	144,574	–	1,087	–	–	607,538
Previous Year	–	98,108	–	363,696	–	–	–	–	–	–	461,804

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

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

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

(Amount in Rs. '000)

Particulars	2012-2013	2011-2012
Provision for depreciation on Investment	–	–
Provision towards Non Performing Assets	68,252	18,046
Provision towards Standard Assets	8,874	15,785
Provision for general loan loss	5,805	(23,545)
Write-offs	586,981	291,988
Recoveries	(117,838)	(106,725)
Others	14,048	2,253
Provision made towards Income tax and Wealth Tax	(152,513)	(40,201)
TOTAL	**413,609**	**1,57,601**

e) Investments **(Amount in Rs. '000)**

Value of Investments	2012-2013	2011-2012
Gross value of Investments		
In India	3,909,014	3,412,419
Outside India	–	–
Provision for depreciation		
In India	–	–
Outside India	–	–
Net value of investment		
In India	3,909,014	3,412,419
Outside India	–	–

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

Non-Performing Assets (NPAs) **(Amount in Rs. '000)**

	Particulars	Current Year – 2012-13		
		Movement of NPAs (Gross)	Movement of provisions NPAs (excluding provision on standard assets)	Movement of Net NPAs
(a)	Opening Balance	234,247	58,562	175,685
(b)	Additions during the year	681,011	68,252	143,616
(c)	Reductions during the year *	469,143	–	–
(d)	Closing Balance	446,115	126,814	319,301
	Net NPAs to Net Advances (%)	**1.87%**		

*** Reduction in respect of: (a) NPAs is write-offs, net of recoveries, and**
(b) Provision is Write-off / write-back of excess provisions.

	Particulars	Previous Year 2011-12		
		Movement of NPAs (Gross)	Movement of provisions NPAs (excluding provision on standard assets)	Movement of Net NPAs
(a)	Opening Balance	202,579	40,516	162,063
(b)	Additions during the year	216,931	18,046	13,622
(c)	Reductions during the year*	185,263	–	–
(d)	Closing Balance	234,247	58,562	175,685
	Net NPAs to Net Advances (%)	**1.19** %		

*** Reduction in respect of: (a) NPAs is write-offs, net of recoveries, and**
(b) Provision is Write-off / write-back of excess provisions.

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

g) Category-wise NPAs (funded)

(Amount in Rs. '000)

Non performing asset category	2012-13		2011-12	
	Gross NPAs	**Provisions**	**Gross NPAs**	**Provisions**
Sub standard	425,735	106,434	234,247	58,562
Doubtful	–	–	–	–
Loss	20,380	20,380	–	–
Total	**446,115**	**126,814**	**234,247**	**58,562**

h) 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.

i) Disclosure of complaints:

Customer complaints

	Particulars	2012-13	2011-12
1	No. of complaints pending at the beginning of the year	56	42
2	No. of complaints received during the year	6,542	1,415
3	No. of complaints redressed during the year	6,256	1,401
4	No. of complaints pending at the end of the year	342	56

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

Concentration of Deposits **(Amount in Rs. '000)**

	Particulars	2012-13	2011-12
1	Total Deposits of twenty largest depositors	6,746,788	5,008,661
2	Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	100.00%	99.91%

Concentration of Advances **(Amount in Rs. '000)**

	Particulars	2012-13	2011-12
1	Total Advances of twenty largest borrowers	3,419,570	2,159,902
2	Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	19.85%	14.59%

Concentration of Exposures **(Amount in Rs. '000)**

	Particulars	2012-13	2011-12
1	Total Exposure to twenty largest borrowers / customers	3,419,570	2,159,902
2	Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	19.85%	14.59%

Concentration of NPAs **(Amount in Rs. '000)**

	Particulars	2012-13	2011-12
1	Total Exposure to top four NPA accounts	112,068	38,244

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

Sector-wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		2012-13	2011-12
1	Agriculture and allied activities	–	–
2	Industry (Micro & small, Medium and Large)	–	–
3	Services	–	–
4	Personal Loans	2.59%	1.58%

Movement of NPAs

(Amount in Rs. '000)

	Particulars	2012-13	2011-12
1	Gross NPAs - Opening Balance	234,247	202,579
2	Additions – Fresh NPAs during the year	681,011	216,931
3	Sub-Total [A] (1 + 2)	915,258	419,510
4	Less :		
	(i) Upgradations	–	–
	(ii) Write-offs – (Net of recoveries)	469,143	185,263
	Sub-Total [B]	469,143	185,263
5	Gross NPAs – Closing Balance	446,115	234,247

k) **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, 2013, computed as per the RBI guidelines was 48.26%. (March 31, 2012 – 62.78%).

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

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

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

(xi)	Penalties imposed by Reserve Bank of India.
(xii)	Exposure to NBFCs.
(xiii)	Discontinuing Operations.
(xiv)	Unamortised Pension and Gratuity Liabilities.
(xv)	Consolidated Financial Statements.
(xvi)	Earnings per share

2. **Deferred Taxes**

As of March 31, 2013 the Bank had a net deferred tax assets of Rs.311,158 thousand which has been included under Other Assets. Deferred Tax Assets (DTA) for timing differences has been recognised subject to the consideration of prudence and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such DTA can be realised. Further, DTA on carried forward unabsorbed tax losses has not been recognised. The major components giving rise to the deferred tax assets and liabilities are as under:

(Amount in Rs. '000)

Particulars	2012-13	2011-12
Deferred Tax Assets		
– On depreciation on fixed assets	75,779	44,347
– On provision for doubtful advances	162,005	104,340
– On provision for other contingencies	26,126	8,552
– On provision for employee benefits	53,860	7,618
Deferred Tax Liabilities	–	–
Net Deferred Tax Assets	**317,770**	**164,857**

3. **Segment Reporting**

Business Segment

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

Treasury activities include the Investments to meet the SLR requirement and maintenance of Cash Balances to meet the CRR requirement and the corresponding funding to meet these requirements. The interest income and interest expenses related to these activities comprise the revenue and expense of this segment.

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

(Amount in Rs. '000)

Segmentation	Banking Operations		Treasury		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Segment revenue	6,174,781	5,611,468	286,790	217,909	6,461,571	5,829,377
Segment expense	7,054,720	5,611,592	286,790	217,909	7,341,510	5,829,501
Segment result	**(879,939)**	**(124)**	–	–	**(879,939)**	**(124)**
Unallocated expenses						
Operating Profits					(879,939)	(124)
Income taxes					(152,513)	(40,201)
Extraordinary profit / (loss)						
Net profit (loss)					**(727,426)**	**40,077**

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

(Amount in Rs. '000)

Segmentation	Banking Operations		Treasury		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Other information :						
Segment assets	20,679,459	17,176,266	4,399,711	3,991,116	25,079,170	21,167,382
Unallocated assets (Taxes)					322,598	169,338
Total assets	**20,679,459**	**17,176,266**	**4,399,711**	**3,991,116**	**25,401,768**	**21,336,720**
Segment liabilities	21,002,057	17,345,604	4,399,711	3,991,116	25,401,768	21,336,720
Unallocated liabilities (Taxes)						
Total liability	**21,002,057**	**17,345,604**	**4,399,711**	**3,991,116**	**25,401,768**	**21,336,720**

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

4. Related Party Disclosures

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

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.	Fellow Subsidiaries of Ultimate Holding Company	American Express (India) Private Limited. American Express International (India) Private Limited. American Express Services India Limited. American Express Foreign Exchange Services India Limited. American Express International Inc. Amex Bank Of Canada American Express Australia Ltd American Express Prepaid Card Management Company, LLC American Express Travel Related Services Company Inc. American Express Limited
4.	Subsidiaries/Associates/Joint Venture	–
5.	Key Management Personnel **	Shailesh Baidwan as Chief Executive Officer

(Amount in Rs. '000)

Items/Related Party	Fellow Subsidiaries of Ultimate Holding Co.	
	2012-13	2011-12
Borrowings as on March 31	–	–
Maximum Outstanding	–	–
Deposits as on March 31	6,677,000	4,720,000
Maximum Outstanding	6,927,000	5,770,000
Placement of Deposits	–	–
Maximum Outstanding	–	–
Advances as on March 31	–	–
Maximum Outstanding	–	–
Receivables as of March 31	276,093	294,578
Payables as of March 31	844,729	775,911
Transfer of assets	(1,360)	1,803
Interest Paid	508,937	400,285
Income Received	–	–
Revenue from Services Rendered	966,504	895,924
Cost of Services Received	2,241,041	1,858,587

(The outstanding amounts at the year / period-end have been disclosed. The amount in bracket represents the maximum outstanding during the year / period.)

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

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

5. **Other Liabilities include:**

(Amount in Rs. '000)

Particulars	2012-2013	2011-2012
Provisions towards Standard Assets	67,136	58,262
General Provisions	100,148	94,343
Prepaid Cards	240,145	19,886

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

7. **Leases**

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

(Amount in Rs. '000)

Particulars	2012-13	2011-12
Future minimum lease payments under non-cancellable operating leases		
• Not later than 1 year	94,224	1,02,033
• Later than 1 year and not later than 5 years	2,69,681	2,76,164
• Later than 5 years	–	–
Lease payments recognized in the Profit and Loss Account in respect of operating leases	1,08,571	113,747

8. **Provision, Contingent Liabilities and Contingent Assets**

Movement in provision for membership reward points:

(Amount in Rs. '000)

Particulars	2012-13	2011-12
Opening	614,495	705,650
Additions	711,462	349,979
Utilisations / Write backs	461,951	441,134
Closing Balance	**864,006**	**614,495**

The bank estimates provision for card reward points by applying historic redemption on points eligible for redemption by a card member and relied upon by the auditors.

9. **Taxes**

The income tax expenses comprise the following:

(Amount in Rs. '000)

Particulars	2012-13	2011-12
Wealth Tax	400	480
Deferred Income tax (benefit) / expense	(1,52,913)	(40,681)
Total	**(1,52,513)**	**(40,201)**

10. **Description of contingent liabilities**

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

* Also refer Schedule 12 – Contingent Liabilities

SCHEDULE TO THE FINANCIAL STATEMENTS OF AMERICAN EXPRESS BANKING CORP. – INDIA BRANCH FOR THE YEAR ENDED MARCH 31, 2013

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

11. Employee Benefits

The disclosures as 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 include gratuity and leave encashment.

(Amount in Rs. '000)

A	**Charge to the Profit and Loss Account based on contributions:**		
		2012-13	**2011-12**
	Provident fund	25,992	33,111
	Superannuation	2,781	2,743
	TOTAL	**28,773**	**35,854**

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

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

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

(Amount in Rs. '000)

		As at 31st March, 2013	**As at 31st March, 2012**
I	**Assumptions**		
	Mortality Rate (in deferment)	Indian Assured Lives Mortality (2006-08) (modified) Ult.	LIC (1994-96) Ultimate
	Mortality Rate (Post retirement)	LIC (1996-98) Ultimate	LIC (1996-98) Ultimate
	Discount Rate	8.00%	8.60%
	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	26,804	28,145
	Interest Cost	2,265	2,193
	Current Service Cost	–	–
	Actuarial Losses/(Gains)	1,533	(2,077)
	Benefit Payments	(935)	(1,457)
	Defined Benefit Obligation at end of the Year	29,667	26,804
III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of the Year	78,558	70,910
	Expected return on plan assets	5,857	5,263
	Actuarial Gain / (Loss)	(11,316)	3,842
	Benefit Payments	(935)	(1,457)
	Fair Value of Plan Assets at end of the Year	72,164	78,558
IV	**Amounts to be recognised in the Balance Sheet**		
	Defined Benefit Obligation at the end of the Year	29,667	26,804
	Fair Value of Plan Assets at the end of the Year	72,164	78,558
	Amount not recognised as an Asset	–	–
	Surplus Assets	42,497	51,754
V	**Expense Recognised**	–	–

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

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

C **Contribution towards Gratuity:**

The above employee benefit is covered under a Gratuity Trust and as detailed under Paragraph II 9 (c) of Schedule 18 above.

Gratuity:

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

(Amount in Rs. '000)

		As at 31st March, 2013	As at 31st March, 2012
I	**Assumptions**		
	Mortality	Indian Assured Lives Mortality (2006-08) (modified) Ult.	LIC (1994-96) Ultimate
	Discount Rate	8.00%	8.60%
	Rate of increase in compensation	9.50% p.a. for first year and 6.00% thereafter	11.00% p.a. for first year and 6.00% thereafter
	Rate of return (expected) on plan assets	7.50%	7.50%
	Withdrawal rates	Up to age 30 - 34%, age 31-40 - 12% age 41-50 - 10% age 51 & above - 5%	Up to age 30 - 34%, age 31-40 - 12% age 41-50 - 10% age 51 & above - 5%
II	**Changes in present value of obligations**		
	DBO at beginning of the Year	64,897	60,872
	Interest Cost	5,340	4,624
	Current Service Cost	8,286	8,223
	Benefits Paid	(5,601)	(6,133)
	Actuarial Losses/(Gains) on obligation	11,354	7,400
	Liabilities extinguished on settlements	-	(10,089)
	DBO at end of the Year	84,276	64,897
III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of the Year	43,611	50,926
	Expected Return of Plan Assets	3,061	3,739
	Contributions	-	4,000
	Benefits paid	(5,601)	(6,133)
	Assets distributed in settlements	-	(10,089)
	Actuarial gain / (loss) on plan assets	2,894	1,168
	Fair Value of Plan Assets at end of the Year	43,965	43,611
IV	**Amounts to be recognised in the Balance Sheet**		
	Present Value of DBO at the end of the Year	84,276	64,897
	Fair Value of Plan Assets at end of the Year	43,965	43,611
	(Funded)/Unfunded Status	(40,311)	(21,286)
	Unrecognised Past Service Costs	-	-
	Net Asset /(Liability) recognised in the Balance Sheet	(40,311)	(21,286)
V	**Expense Recognised**		
	Current Service Cost	8,286	8,223
	Interest Cost	5,340	4,624
	Expected Return on Plan Assets	(3,061)	(3,739)
	Net Actuarial Gain /(Loss) recognised for the Year	8,460	6,232
	Expense recognised in the statement of P&L A/c	19,025	15,340

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.

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

D Leave Encashment

The amount charged to Profit and Loss Accounts during the year towards Leave Encashment – Rs. 17,057 thousand. (Previous Period Rs. 14,573 thousand)

The liability for leave encashment and compensated absences as on March 31, 2013 is Rs. 85,486 thousand (Previous Period Rs. 69,012 thousand).

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

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

	Particulars	2012-13	2011-12
1	Principal amount due remaining unpaid	-	1
2	Interest amount due thereon and remaining unpaid	-	-
3	Amount of interest paid in terms of Section 18 of the MSMED Act 2006	-	-
4	Interest due and payable (under the MSMED Act 2006) which have not been paid (covering all payments)	2	-
5	The amount of interest accrued and remaining unpaid at the end of the accounting year (i.e. including amount brought forward from previous year)	2	-
6	Details on payments made up to June 10, 2012 in respect of outstanding as at Sl. No. 1 above.	-	1

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

(Amount in Rs. '000)

Particulars	2012-2013	2011-2012
Others – Income from Insurance Referral Business	30,161	17,268

14. Disclosures on Remuneration :

Qualitative Disclosures

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

Quantitative Disclosures

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

(Amount in Rs. '000)

SI No.	Particulars	Year ended March 31, 2013
1	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	49,191
	(ii) Total amount of deferred remuneration paid out in the financial year (b)	24,148
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	
	Fixed	35,083
	Variable	37,979
	Deferred	21,038
	Non-deferred	16,942

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

(Amount in Rs. '000)

SI No.	Particulars	Year ended March 31, 2013
3	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. ('c)	38,247
	(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.	–
	(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	–
4	Retirals (PF, Gratuity, SA)	4,183

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

Signature to Schedules 1 to 18

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Sd/-
Vinayak M Padwal
Partner
Membership No. F49639

Place: Gurgaon
Date: 3rd June 2013

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

Sd/-
Shailesh Baidwan
Chief Executive Officer

Sd/-
Sunil Chowdhry
Financial Controller

Place: Gurgaon
Date: 3rd June 2013

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

Disclosures under Basel II Framework for the year ended March 31, 2013

1. Scope of Application

The Basel II disclosures contained herein relate to American Express Banking Corp. – India Branch, herein after referred to as "the Bank" for the year ended March 31, 2013. American Express Banking Corporation (AEBC) is a New York State Investment Company chartered under Article XII of the New York State Banking Law. AEBC is a wholly owned subsidiary of American Express Company, and conducts business through a branch office in India. AEBC is governed under an Agreement of Supervision between American Express Company, AEBC, and the New York State Banking Department (NYSBD). In India, AEBC holds a banking license issued by the Reserve Bank of India (RBI) and is subject to the provisions of the Banking Regulation Act. AEBC India's operations are confined to three business areas viz. card operations, distribution of travellers' cheques and acceptance of institutional deposits.

The disclosures have been compiled in accordance with Reserve Bank of India's Prudential Guidelines on Implementation of New Capital Adequacy Framework vide their Circular DBOD.No.BP.BC.73/21.06.001/2009-10 dated February 8, 2010 and the amendments thereto issued from time to time.

The Bank does not have any subsidiaries, nor does it hold any significant stake in any companies. Further, the Bank is not required to prepare consolidated financial statements.

No quantitative disclosures are required to be made, as the Bank has no subsidiaries. The Bank also does not have any interest in insurance entities.

2. Capital Structure

Summary information of the capital funds included under Tier 1 and Tier II capital under the capital adequacy framework is as under:

The Tier 1 Capital of the Bank comprises of the following:

(a) The interest-free funds provided by Head Office - American Express Banking Corp., New York, and
(b) Statutory Reserves of the Indian Operations.

The Tier II Capital of the Bank comprises the General Provisions for Standard Assets. This also includes the amount of balance held under provision for countercyclical buffer.

Quantitative Disclosure

Amount of Eligible Capital **(Amount Rs.'000)**

Particulars	2012-13	2011-12
Tier – 1 capital		
Paid up share capital (Head Office Funds)	7,527,444	6,177,194
Reserves	76,810	76,810
Total	7,604,254	6,254,004
Less:		
Intangible Assets	318,630	167,081
Losses upto the current period	2,048,806	1,321,380
Total Tier I Capital	5,236,818	4,765,543
Tier – II Capital		
General Provisions for Standard Assets.*	167,284	152,604
Total Tier II Capital	167,284	152,604
Total Eligible Capital	5,404,102	4,918,147

* Includes balances held under provision for countercyclical buffer.

During the year, the Bank has not issued any Debt capital instruments eligible for inclusion in Upper Tier 2 capital (or) in Lower Tier 2 capital. The Bank has not raised any capital in India.

3. Capital Adequacy

The Bank's operations are confined to three business areas viz. card operations (including prepaid cards), distribution of travellers' cheques and acceptance of institutional deposits. The Bank has put in place policies and procedures to address the various risks associated with these business segments. Independent committees manage relevant risk areas and define the requirement of the capital that the bank may have to maintain to cover these risks. The Bank has implemented an Internal Capital Adequacy Assessment Process to assess all the material risks associated with its business and to ensure that it meets it objective to maintain adequate capital of sufficient quality and quantity at all times to act as a safety net for the variety of risks the Bank is exposed to in its ordinary course of business and to meet all regulatory requirements. While the RBI prescribed regulatory Capital to Risk Weighted Asset Ratio (CRAR) sets the minimum floor, the Bank strives to keep its CRAR above the statutory requirement, with the buffer serving as a cushion to meet any unforeseen event.

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA WITH LIMITED LIABILITY)

Disclosures under Basel II Framework for the year ended March 31, 2013

As prescribed in the prudential guidelines issued by the Reserve Bank of India, for computing capital requirement, the Bank has adopted: (a) Standardised Approach (SA) for credit risk, (b) Standardised Duration Approach (SDA) for market risk, and (c) Basic Indicator Approach (BIA) for operational risk.

As part of the transitional arrangement to the Basel II Framework, Reserve Bank of India (RBI) has directed banks' to compute capital adequacy under both Basel I and Basel II framework. Further, the Bank is required to maintain capital based on the higher of the minimum capital required under Basel II or at 80 % of the minimum capital requirement under Basel I for credit and market risks. For the years ended March 31, 2012 and March 31, 2013, the minimum capital required to be maintained by AEBC India as per Basel II guidelines is higher than that under Basel I guidelines.

Quantitative Disclosure:

(Amount Rs.'000)

	2012-13		2011-12	
	RWA	**Min. Cap. Req.**	**RWA**	**Min. Cap. Req.**
Credit Risk	22,608,524	2,034,767	19,303,194	1,737,288
Market Risk	124,639	11,217	113,130	10,182
Operational Risk	7,000,851	630,077	6,063,353	545,702
Total	**29,734,014**	**2,676,061**	**25,479,677**	**2,293,172**

* RWA = Risk Weighted Assets.
* Min. Cap. Req. = Minimum Capital Requirement at 9%.

Capital Adequacy Ratio	2012-13	2011-12
Basel II		
Tier I Ratio	17.61%	18.70%
Total Capital Ratio	18.17%	19.30%

4. Credit Risk: General Disclosures

Credit Risk is defined as the risk of loss to the Bank due to non-payment of amounts that are contractually owed to the Bank. The Bank's Management and the Board of Directors continuously monitor credit risk to ensure that prudent lending criteria are established and complied with so as to minimize the Bank's exposure to credit risk. The Bank's lending are only in relation to card issuance business and loans to staff.

It is the policy of the Bank to
- Extend Credit only on a safe, sound and collectible basis.
- Extend Credit in an economically sound fashion.
- Extend Credit only in compliance with applicable law and regulation and the policies of the Bank and in full consideration of applicable regulatory guidance.
- Document credit decisions.
- Adopt and use best-in-class risk management tools and practices.
- Require its vendors, including its affiliates, to act in accordance with the policies of the Bank when conducting business on the Bank's behalf.

The Bank has established policies and procedures to control and mange the credit risk. These policies and procedures, in particular:
- Establish the governance structure through which credit risk will be identified, assessed, controlled, monitored and reported.
- Details the credit products and services that the Bank may offer.
- Specifies certain key metrics to be used in managing credit risk.
- Establishes the conditions under which exceptions to credit policy may occur.

Management can never eliminate the Bank's credit risk. However, consistent application of the above practices will result in the credit risk being controlled to an acceptable level. Therefore Management and the Board of Directors continuously monitor credit risk to ensure that prudent lending criteria are established and complied with so as to minimize the Bank's exposure to credit risk.

The Bank follows the RBI guidelines for asset classification. Accordingly, card receivables are treated as non-performing, if any amount is overdue for a period of more than 90 days from the date of billing.

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

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Disclosures under Basel II Framework for the year ended March 31, 2013

Provision for Non Performing Assets and Standard Assets are made in compliance with the prudential norms prescribed by Reserve Bank of India. In addition to the above, the Bank also maintains a general provision to cover credit losses, which are inherent in any loan portfolio.

Quantitative Disclosure:

(a) Total Gross Credit Exposure by Industry and Geographic distribution of Exposure

(Amount Rs.'000)

	Fund based		Non-fund based		Total	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
Domestic						
Inter - Bank	269,328	211,165			269,328	211,165
Investments	-	-	-	-	-	-
Advances -						
- Card Receivables	17,228,269	14,797,285	-	-	17,228,269	14,797,285
- Others	1,737	2,340	-	-	1,737	2,340
Overseas		-	-	-		-
Total	**17,499,334**	**15,010,790**	**-**	**-**	**17,499,334**	**15,010,790**

(b) Residual maturity breakdown of total assets:

As on March 31, 2013 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 – 14 days	123,496	248,592	1,131,526	6,633,272	-	72,650	8,209,536
15 – 28 days	70,644	4,824	652,460	6,633,272	-	233,548	7,594,748
29 days – 3 months	75,581	4,268	577,248	2,404,524	-	434,899	3,496,520
3 months – 6 months	106,729	6,771	915,741	181,967	-	-	1,211,208
6 months – 1 year	60,871	2,489	336,647	497,077	-	-	897,084
1 year – 3 years	33,900	1,586	187,508	432,044	-	89,916	744,955
3 years – 5 years	849	35	4,698	319,301	-	-	324,882
Over 5 years	18,628	762	103,187	1,735	431,947	317,771	874,031
TOTAL	**490,697**	**269,328**	**3,909,014**	**17,103,192**	**431,947**	**1,148,784**	**23,352,963**

As on March 31, 2012 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 – 14 days	188,320	106,619	1,525,529	5,521,058	-	11,289	7,352,815
15 – 28 days	49,347	13,118	237,209	6,050,169	-	320,060	6,669,903
29 days – 3 months	85,025	23,103	417,772	2,392,399	-	169,972	3,088,271
3 months – 6 months	64,426	17,200	311,023	262,589	-	-	655,238
6 months – 1 year	72,815	39,606	716,191	231,918	-	-	1,060,530
1 year – 3 years	26,172	7,263	127,720	104,907	-	23,983	290,045
3 years – 5 years	-	-	-	175,685	-	-	175,685
Over 5 years	92,592	4,256	76,975	2,339	381,836	164,856	722,854
TOTAL	**578,697**	**211,165**	**3,412,419**	**14,741,064**	**381,836**	**690,160**	**20,015,341**

(c) Amount of NPA:

(Amount Rs.'000)

Non-performing asset category	2012-13	2011-12
Sub standard	425,735	234,247
Doubtful	-	-
Loss	20,380	-
Total	**446,115**	**234,247**

(d) NPA Ratios:

	2012-13	2011-12
Gross NPA as a ratio to gross advances	2.59%	1.58%
Net NPAs as a ratio to net advances	1.87%	1.19%

(e) Movement of Gross NPAs, Provision for NPAs and Net NPAs

(Amount Rs.'000)

Particulars	2012-13			2011-12		
	Movement of NPAs (Gross)	Movement of provisions NPAs	Movement of Net NPAs	Movement of NPAs (Gross)	Movement of provisions NPAs	Movement of Net NPAs
Opening Balance	234,247	58,562	175,685	202,579	40,516	162,063
Additions during the year	681,011	68,252	143,616	216,931	18,046	13,622
Reductions during the year	469,143	-	-	185,263	-	-
Closing Balance	**446,115**	**126,814**	**319,301**	**234,247**	**58,562**	**175,686**

* Reduction includes write back / write off of excess provision.

(f) Amount of Non-Performing Investments: NIL

(g) Amount of Provision held for Non-Performing Investments: NIL

(h) Movement of Provision held for depreciation on Investments: NIL.

5. Credit Risk: Disclosures for Portfolios Subject to Standardised Approach.

The Bank lending business is confined to card lending through its card issuance business and loans to staff. In view of this limited lending activity, the Bank does not use any rating assigned by the eligible external credit rating agencies for measuring credit risk. The card receivables and loans to staff come under the Specified Category as per the RBI guidelines and attract the risk weight as prescribed therein. All exposures to scheduled banks have been reckoned at 20% as per the RBI guidelines, as the counterparty banks have capital adequacy ratio of 9% and above.

6. Credit Risk Mitigation: Disclosures for Standardised Approach.

The Bank's advances arise from its card operations and there are normally no collaterals for these lending. The Bank does not use any Credit Risk Mitigation tools as outlined in the RBI guidelines on Implementation of New Capital Adequacy Framework.

7. Securitisation: Disclosure for Standardised Approach.

The Bank does not have any securitization exposure.

8. Market Risk in Trading Book

Market Risk is the risk to earnings or value resulting from movements in market prices. The Bank's trading book comprises of securities held under the Available For Sale (AFS) category. The Bank invests only in Government Treasury Bills to meet the Statutory Liquidity Ratio (SLR) requirements and these investments are held under the Available For Sale category. These instruments do not carry any credit risk. The general market risk charge towards interest rate risk on these instruments is provided as per the extant RBI guidelines, using the Standardised Duration Approach.

Capital Requirements

(Amount Rs.'000)

	2012-13	2011-12
Interest rate Risk	11,217	10,182

9. Operational Risk

Operational Risk is defined as the risk of not achieving business objective due to inadequate or failed processes, people or information systems, or to the external environment, including failures to comply with laws and regulations. It includes legal risk, but does not include strategic and reputation risks.

The Bank has in place an Operational Risk Management Policy framework that defines the key elements of Operational Risk Management. The Operational Risk Management framework defines governance principles, globally accepted risk assessment methodologies and processes for capturing and analyzing Operational Risk events and exposures. Internal and external drivers shape the framework, including regulatory requirements and market pressures. The framework and its supporting programs are designed to be adaptable to address emerging risks and external influences as they develop.

In line with the guidelines, the Bank has adopted the Basic Indicator Approach (BIA) for operation risk.

10. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book represents the risk that a movement in interest rates will have an adverse effect on the interest rate sensitive assets and liabilities held by the Bank in the banking book. Interest Rate risk is primarily generated by funding card member charges and investments with different tenure borrowings. These assets and liabilities generally do not create naturally off-setting positions with respect to basis, re-pricing or maturity characteristics.

General principles and the overall framework for managing market risk, including the interest rate risk in the banking book are defined in the Bank s Treasury Policy. The Bank measures market risk from two separate, but complimentary perspectives viz. risk that earnings decline (EaR) and risk that economic value of the Bank declines (EVE). Market risk exposures are monitored and managed by the Asset – Liability Management Committee (ALCO) of the Bank in accordance with Board approved policies and limits.

Risk from an earnings perspective is measured with the Earnings at Risk (EaR) metric. EaR measures the adverse potential impact of changes in market risk factor i.e. interest rates on the projected 12 month pre-tax income of a portfolio of assets, liabilities and off-balance sheet exposures, assuming 90% confidence level.

Risk from an economic perspective is measured with the Economic Value of Equity (EVE) metric. EVE measures the risk capital required to weather adverse impact of changes in market risk factors on the economic value of a portfolio of assets, liabilities and off-balance sheet positions over a specified holding period.

Quantitative Disclosure

Impact on earnings and economic value of capital:

	2012-13		2011-12	
	Earnings Perspective	**Economic value perspective**	**Earnings Perspective**	**Economic value perspective**
Interest Rate Shock Amount (Rs. In '000)	100 basis points 61,869	200 basis points 76,655	100 basis points 64,561	200 basis points 66,666