

## Methodology for computing Annual Percentage Rate (APR) for Credit Cards

### A. Interest Rate for Line of Credit Lending (LoCL) Category of Borrowers

In line with Reserve Bank of India ("RBI") guidelines, American Express Banking Corp. (AEBC) will ensure that the Annual Percentage Rates (APRs) for balances on Line of Credit Lending (LoCL) category of borrowers (which includes balances on Goods & Services, Cash Withdrawal, Balance Transfer, Balances on penalty APR etc., excluding any balance on Extended Payment Plans which are provided to Cardmembers for a fixed tenure and are covered under Installment Lending) are linked to the Base Rate of the Bank as published from time to time. The Bank's methodology to compute range of APRs charged on LoCL category of borrowers will take into account the following:

- a) Base Rate (Cost of Funds + Return on Net Worth)
- b) Minimum expected revolve rate of the card portfolio excluding revolving balances on EPP plans
- c) Maximum expected revolve rate of the card portfolio excluding revolving balances on EPP plans
- d) Minimum Gross Spread (including associated delinquency rates) desired for revolving balances on LoCL
- e) Maximum Gross Spread (including associated delinquency rates) desired for revolving balances on LoCL

The above variables can be used to calculate the desired range of APR for LoCL category of borrowers as explained below:

**Minimum APR desired for balances on LoCL category of borrowers = (a+d)/c**

**Maximum APR desired for balances on LoCL category of borrowers = (a+e)/b**

The actual APR charged for balances on LoCL category of borrowers on any particular product should be with-in the above range of Minimum and Maximum APR desired for balances on LoCL category of borrowers.

### B. Interest Rate for Installment Lending (IL) Category of Borrowers

In line with Reserve Bank of India ("RBI") guidelines, AEBC will ensure that the Annual Percentage Rates (APR) for balances on Installment Lending (IL) category of borrowers (also referred as Extended Payment Plans (EPP plans)) which are provided to Cardmembers for a fixed tenure (of tenure less than 36 months) are linked to the Base Rate of the Bank as published from time to time. The Bank's methodology to compute range of APRs for balances on IL category of borrowers will take into account the following:

- a) Base Rate (Cost of Funds + Return on Net Worth)
- b) Minimum expected revolve rate of the balances on IL category of borrowers
- c) Maximum expected revolve rate of the balances on IL category of borrowers
- d) Minimum Gross Spread (including associated delinquency rates) desired for revolving balances on IL category of borrowers
- e) Maximum Gross Spread (including associated delinquency rates) desired for revolving balances on IL category of borrowers

The above variables can be used to calculate the range of APR for balances on IL category of borrowers as explained below:

**Minimum APR desired for balances on IL category of borrowers = (a+d)/c**

**Maximum APR desired for balances on IL category of borrowers = (a+e)/b**

The actual APR charged for balances on IL category of borrowers on any particular product should be with-in the above range of Minimum and Maximum APR desired for balances on IL category of borrowers.