

1. Scope of Application

The Basel Pillar III disclosures contained herein relate to American Express Banking Corp. – India Branch, herein after referred to as “the Bank” for the Quarter ended December 31, 2018. American Express Banking Corp. (AEBC) is organized under the New York State Banking Law and incorporated in the United States of America. AEBC is a wholly owned subsidiary of American Express Company and conducts business through a branch office in India. 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. The Bank’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 Master Circular DBR.No.BP.BC. 1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations 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 Adequacy

The primary objective of capital management at the Bank is to maintain a consistently strong and flexible capital position and to ensure that the Bank’s capital is of sufficient quality and quantity to meet at a minimum, all regulatory requirements and maintain adequate capital over and above regulatory minimums to act as a safety net for the variety of risks the Bank is exposed to, in its ordinary course of business.

The Bank has established a comprehensive internal capital adequacy assessment process (“ICAAP”) which enables the Bank to set internal capital targets and strategies for achieving those internal targets that are consistent with its business plans, risk profile, and operating environment. This framework facilitates the assessment of the overall capital adequacy of the Bank in relation to its risk profile which includes all material risks faced by the Bank which are not captured by the regulatory minimums prescribed by the regulator. The framework is aimed at ensuring that the Bank’s capital is adequate to address current and future risk and achieve strategic objectives. Key components of the Bank’s ICAAP include: Board and senior management oversight; sound capital assessment and planning; comprehensive assessment of risks, sensitivity and scenario analysis, monitoring and reporting

The Board of Directors is responsible for ultimate oversight of capital management and as such, oversees the annual review and approval of the Bank’s ICAAP, Internal Capital Targets, Capital Plan and ICAAP and Capital Management Policy.

The Bank has implemented a Board approved Stress Testing Framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques (such as macroeconomic stress testing and event driven scenario / single factor stress tests) to assess the

Bank's potential vulnerability (profitability and capital impacts) to extreme conditions. Stress tests are conducted on a periodic basis and the stress test results are reported to the India Country Asset Liability Management Committee (ALCO), India Risk Management Committee, Board and other governance committees of the Bank. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible changes in the macro economic conditions. The stress tests are used in conjunction with the Banks business plans for the purpose of capital planning in the ICAAP.

Quantitative Disclosure:

(Amount Rs.'000)

	As at December 31, 2018	
Particulars	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardised Approach	73,589,246	8,002,831
Market Risk		
- Interest Rate Risk	969,875	105,474
- Foreign Exchange Risk	1,500,000	163,125
Operational Risk		
- Basic Indicator Approach	22,220,224	2,416,449
Total	98,279,345	10,687,879

* RWA = Risk Weighted Assets.

** Min. Cap. Req. = Minimum Capital Requirement (including capital conservation buffer) at 10.875% of RWA.

Capital Adequacy Ratio	As at December 31, 2018
Common Equity Tier I Ratio	13.27%
Tier I Ratio	13.27%
Total Capital Ratio	23.10%

3. 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 to minimize the Bank's exposure to credit risk. The AEBC Credit Policy Committee (CPC) is responsible for assisting the Bank in carrying out its credit risk management functions and reports to the Board. It has oversight responsibilities for the Bank's credit risk and for ensuring compliance with all pertinent policies and regulatory requirements. The Bank's lending is 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 regulations 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 manage 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 criterion 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.

The Bank also identifies all card accounts with delinquencies and writes off in the books of accounts, the outstanding card receivables which are 210 days past billing. In addition, accelerated write off is effected where it is evident that the outstanding is unlikely to be recovered.

Provision for Non Performing Assets, Standard Assets and Unhedged Foreign Currency Exposure are made in compliance with the prudential norms prescribed by Reserve Bank of India. 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. Accounts classified as doubtful are provided at 100% till written off.

Quantitative Disclosure:

(a) Total credit exposure by industry and geographic distribution of exposure

(Amount Rs.'000)

	As at December 31, 2018		
	Fund Based	Non- fund Based	Total
Domestic			
Investments	-	-	-
Advances:			
Mining and Quarrying	240,497	-	240,497
Coal	7,167	-	7,167
Others	233,330	-	233,330
Food Processing	1,549,999	-	1,549,999
Sugar	5,861	-	5,861
Edible Oils and Vanaspati	16,087	-	16,087
Tea	5,408	-	5,408
Coffee	10,578	-	10,578
Others	1,512,065	-	1,512,065
Beverages (excluding Tea & Coffee) and Tobacco	208,186	-	208,186
Tobacco and tobacco products	17,485	-	17,485
Others	190,701	-	190,701
Textiles	1,019,802	-	1,019,802
Cotton	462,482	-	462,482
Jute	17,286	-	17,286
Man-made	10,525	-	10,525
Others	529,509	-	529,509
Leather and Leather products	144,931	-	144,931
Leather and Leather products	144,931	-	144,931
Wood and Wood Products	17,477	-	17,477
Wood and Wood Products	17,477	-	17,477
Paper and Paper Products	197,815	-	197,815
Paper and Paper Products	197,815	-	197,815
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	35,821	-	35,821
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	35,821	-	35,821
Chemicals and Chemical Products (Dyes, Paints, etc.)	2,767,460	-	2,767,460

Fertilizers	49,260	-	49,260
Drugs and Pharmaceuticals	1,021,923	-	1,021,923
Petro-chemicals (excluding under Infrastructure)	4,775	-	4,775
Others	1,691,502	-	1,691,502
Rubber, Plastic and their Products	863,659	-	863,659
Rubber, Plastic and their Products	863,659	-	863,659
Glass & Glassware	612,990	-	612,990
Glass & Glassware	612,990	-	612,990
Cement and Cement Products	540,801	-	540,801
Cement and Cement Products	540,801	-	540,801
Basic Metal and Metal Products	1,153,782	-	1,153,782
Iron and Steel	581,797	-	581,797
Other Metal and Metal Products	571,985	-	571,985
All Engineering	4,402,897	-	4,402,897
Electronics	2,167,591	-	2,167,591
Others	2,235,306	-	2,235,306
Vehicles, Vehicle Parts and Transport Equipments	1,179,770	-	1,179,770
Vehicles, Vehicle Parts and Transport Equipments	1,179,770	-	1,179,770
Gems and Jewellery	30,061	-	30,061
Gems and Jewellery	30,061	-	30,061
Construction	1,925,461	-	1,925,461
Construction	1,925,461	-	1,925,461
Infrastructure	1,420,345	-	1,420,345
Electricity Generation and Distribution	1,387,397	-	1,387,397
Gas Pipelines	1,021	-	1,021
Water supply pipelines	31,927	-	31,927
Other Industries	3,442,218	-	3,442,218
Other Industries	3,442,218	-	3,442,218
Service	28,105,423	-	28,105,423
Transport Operators	719,793	-	719,793
Computer Software	6,746,745	-	6,746,745
Tourism, Hotel and Restaurants	8,573,871	-	8,573,871
Professional Services	4,586,880	-	4,586,880
Commercial Real Estate	119,683	-	119,683
NBFCs	247,324	-	247,324
Other Services	7,111,127	-	7,111,127
Trade	5,165,345	-	5,165,345

Wholesale Trade (other than Food Procurement)	1,439,748	-	1,439,748
Retail Trade	3,725,597	-	3,725,597
Personal Loans	160,046,351	-	160,046,351
Credit Card	160,046,351	-	160,046,351
Total	215,071,091	-	215,071,091

(b) Maturity pattern of total assets:

As at December 31, 2018

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	389,164	198,406	16,125,873	16,856,910	-	1,141,997	34,712,350
15 – 30 days	98,759	32,737	400,353	19,265,039	-	216,322	20,013,210
31 days – 2 months	328,858	108,735	1,329,782	3,757,113	-	77,514	5,602,002
2 months – 3 months	106,128	35,093	429,169	1,247,686	-	334,415	2,152,491
3 months – 6 months	218,755	72,366	885,005	2,867,409	-	-	4,043,535
6 months – 1 year	231,004	76,383	934,137	1,818,734	-	-	3,060,258
1 year – 3 years	2,862	484	5,913	4,674,006	-	300,441	4,983,706
3 years – 5 years	248,332	82,121	1,004,299	507,581	-	-	1,842,333
Over 5 years	141,835	46,887	573,412	469,392	313,999	295,529	1,841,054
TOTAL	1,765,697	653,212	21,687,943	51,463,870	313,999	2,366,218	78,250,939

(c) Amount of NPAs (Gross) - Total

(Amount Rs.'000)

Nonperforming asset category	As at December 31, 2018
Sub standard	964,184
Doubtful 1	232,968
Doubtful 2	-
Doubtful 3	-
Loss	28,175
Total	1,225,327

(d) Net NPAs

(Amount Rs.'000)

Net Nonperforming asset category	As at December 31, 2018
Sub- Standard	507,504
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Total	507,504

(e) NPA Ratios

(Amount Rs.'000)

Particulars	As at December 31, 2018
Gross NPA as a ratio to gross advances	2.35%
Net NPAs to net advances	0.99%

(f) Movement of NPAs Gross

(Amount Rs.'000)

Particulars	For the period ended December 31, 2018
Opening Balance (As at April 1, 2018)	848,490
Additions during the period	3,921,767
Reductions during the period	3,544,930
Closing Balance (As at December 31, 2018)	1,225,327

(g) Movement of Provisions for NPAs

(Amount Rs.'000)

Particulars	For the period ended December 31, 2018
Opening balance (As at April 1, 2018)	463,018
Provisions made during the period	2,409,054
Reductions made during the period due to write-off, upgradation and recoveries	2,154,249
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance (As at December 31, 2018)	717,823

(h) Details of write offs and recoveries booked directly to the Income Statement

(Amount Rs.'000)

Particulars	For the period ended December 31, 2018
Write offs	1,505,014
Recoveries	542,616

(i) Movement of Provisions for Standard Assets

(Amount Rs.'000)

Particulars	For the period ended December 31, 2018
Opening balance (As at April 1, 2018)	318,167
Provisions made during the period *	-
Write-back of excess provisions	4,670
Closing balance (As at December 31, 2018) *	313,497

* includes provision created for Unhedged Foreign Currency Exposure and Willful Defaulters

(j) Amount of Non-Performing Investments: NIL

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

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

(m) Geographic and industry wise distribution of Gross NPA, Provision for NPA, NPA Write-offs and Provision for Standard Assets

As at December 31, 2018

(Amount Rs.'000)

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Mining and Quarrying	235	148	10518	1400
Coal	-	-	-	14
Others	235	148	10518	1386
Food Processing	3036	1430	69388	11849
Sugar	157	74	-	7
Edible Oils and Vanaspati	-	-	-	38
Tea	-	-	-	23
Coffee	-	-	-	49
Others	2879	1356	69388	11732
Beverages (excluding Tea & Coffee) and Tobacco	374	176	31	705
Tobacco and tobacco products	-	-	-	-
Others	374	176	31	705
Textiles	520	293	1601	2043
Cotton	415	196	4	649
Jute	-	-	-	66
Man-made	-	-	-	10
Others	105	97	1597	1318
Leather and Leather products	-	-	194	847
Leather and Leather products	-	-	194	847
Wood and Wood Products	-	-	-	27
Wood and Wood Products	-	-	-	27
Paper and Paper Products	-	-	-	217
Paper and Paper Products	-	-	-	217
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	179
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	179
Chemicals and Chemical Products (Dyes, Paints, etc	6167	5397	1254	10152
Fertilizers	-	-	-	77

Drugs and Pharmaceuticals	1738	1136	640	3978
Petro-chemicals(excluding under Infrastructure)	-	-	-	19
Others	4429	4261	614	6078
Rubber, Plastic and their Products	39	39	-	762
Rubber, Plastic and their Products	39	39	-	762
Glass & Glassware	-	-	-	1308
Glass & Glassware	-	-	-	1308
Cement and Cement Products	3337	3337	124	141
Cement and Cement Products	3337	3337	124	141
Basic Metal and Metal Products	397	187	1	2330
Iron and Steel	7	3	1	899
Other Metal and Metal Products	390	184	-	1431
All Engineering	105579	50777	11309	20196
Electronics	52073	25422	6877	6844
Others	53506	25355	4432	13352
Vehicles, Vehicle Parts and Transport Equipment's	2473	1541	1262	3329
Vehicles , Vehicle Parts and Transport Equipment's	2473	1541	1262	3329
Gems and Jewellery	-	-	126	39
Gems and Jewellery	-	-	126	39
Construction	55098	41018	399036	6635
Construction	55098	41018	399036	6635
Infrastructure	19	9	15	6728
Electricity Generation and Distribution	19	9	15	6454
Gas Pipelines	-	-	-	3
Water supply pipelines	-	-	-	271
Other Industries	9908	4822	8061	3359
Other Industries	9908	4822	8061	3359
Service	213212	139303	126816	109008
Transport Operators	9052	4264	3461	1902
Computer Software	61667	30308	43890	29081
Tourism,Hotel and Restaurants	71391	53163	10291	31461
Professional Services	49068	38685	52557	22960
Commercial Real Estate	2216	1044	-	415
NBFCs	188	182	-	298
Other Services	19630	11657	16617	22891
Trade	16567	11798	61787	19439
Wholesale Trade (other than Food	5318	2685	55061	5541

Procurement)				
Retail Trade	11249	9113	6726	13898
Personal Loans	808366	457548	593056	112804
Credit Card	808366	457548	593056	112804
Total	1225327	717823	1284579	313497

* includes provision created for Unhedged Foreign Currency Exposure and Willful Defaulters

4. 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 under consumer portfolio are covered under the Specified Category attracting risk weight of 125%, card receivables under corporate portfolio are covered under the Claims on Corporates, AFCs and NBFC-IFCs Category attracting risk weight of 150% and loans to staff attract risk weight of 20% as per the RBI guidelines. All interbank balances with scheduled banks have been reckoned at 20% as per the RBI guidelines, as the counterparty banks have capital adequacy ratio of 9% and above.

Quantitative Disclosure:

Amount of bank's outstanding, by risk weight are as follows:

(Amount Rs.'000)	
Risk Weight Applied*	As at December 31, 2018
Below 100 % risk weight	2,592,242
100 % risk weight	2,941,712
More than 100 % risk weight	49,626,441
Deducted (in computation of Net Owned Funds)	-

* Net of provisions and collaterals

5. Comparison of accounting assets vs. leverage ratio exposure measure

As at December 31, 2018

Summary comparison of accounting assets vs. leverage ratio exposure measure		
S No.	Particulars	Amount in Rs. '000
1	Total consolidated assets as per published financial statements	81,494,871
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-

3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	16,513,333
7	Other adjustments (Debit Balance in Profit and Loss Account)	(3,243,932)
8	Leverage ratio exposure	94,764,272

6. Leverage Ratio as at December 31, 2018

(Amount Rs.'000)

S No.	Particulars	Leverage ratio framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	81,494,871
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-3,243,932
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	78,250,939
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-

16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	165,133,326
18	(Adjustments for conversion to credit equivalent amounts)	-148,619,993
19	Off-balance sheet items (sum of lines 17 and 18)	16,513,333
Capital and total exposures		
20	Tier 1 capital	13,046,402
21	Total exposures (sum of lines 3, 11, 16 and 19)	94,764,272
Leverage ratio		
22	Basel III leverage ratio	13.77%